

# INTERNATIONAL EXPERIENCE WITH UNIFORM ACCOUNTING

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## I

### THE PROBLEM OF ACCOUNTING UNIFORMITY IN AN INTERNATIONAL PERSPECTIVE

Seen internationally, the desire to achieve greater uniformity in accounting has been with us for a long time. In the early 1920s, the German Professor Eugen Schmalenbach was frustrated again and again by the failure of his own efforts and those of his students to compare meaningfully the financial data made available by different companies. This led to concentrated research on the problem and resulted in the publication of a book by Schmalenbach entitled *The Model Chart of Accounts*.<sup>1</sup> With this book Schmalenbach laid the foundation for all subsequent developments in uniform accounting in Germany. It also became the basis for corresponding efforts in other European countries.<sup>2</sup> Thus Schmalenbach is without doubt the intellectual father of organized thought on behalf of uniform accounting.

Prior to these German academic endeavors, many procedural schemes had come into existence with the purpose of unifying and standardizing bookkeeping methods. Trade associations and industrial branch groups spearheaded this activity. For example, a uniform accounting system was developed by the British Federation of Master Printers and put into satisfactory operation by 1919.<sup>3</sup> In the United States, the American Water Works Association compiled a uniform chart of accounts in 1910 and urged its use by its members.<sup>4</sup> Other similar references abound. Lengyel quotes a 1930 resolution adopted at the sixteenth annual meeting of the Chamber of Commerce of the United States:

In order that industrial development may proceed along sound lines, and be in the public interest, each field of manufacturing should have knowledge of the true costs of production and distribution, based upon uniform cost accounting, and should collect and distribute to its members and the public, through its trade

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<sup>1</sup> EUGEN SCHMALENBACH, *DER KONTENRAHMEN (1927)*.

<sup>2</sup> PETER SCHERPF, *DER KONTENRAHMEN: ENTSTEHUNG, VERBREITUNG, MÖGLICHKEITEN passim (1955)*.

<sup>3</sup> HANS W. SINGER, *STANDARDIZED ACCOUNTANCY IN GERMANY II (National Institute of Economic and Social Research, Occasional Paper No. V, 1943)*.

<sup>4</sup> Cited by Professor Karl Käfer during a lecture as part of the Seminar in International Accounting, University of Illinois, May 9, 1964.

association, reliable data as to orders, shipments, inventories and other facts essential for an understanding of the situation in the industry.<sup>5</sup>

This abbreviated sketch of the origins of uniform accounting should suffice to indicate that we are concerned with a topic whose (1) dimensions have an international character, (2) manifestations reach back for more than half a century, and (3) implications transcend the technical boundaries of accounting and reach, among others, economic and institutional considerations.

#### A. Terminology

Adequate understanding of the propositions to be discussed in this paper requires clarification of several terms employed here. Foremost is the distinction made between a uniform chart of accounts and a uniform plan of accounting. A uniform chart of accounts is a classification device. It assigns classes and subclasses to account categories and provides general guidelines on how appropriate account classification is to be achieved for each account appearing in a given system of accounts. Normally, an alphabetic or a numeric code is used to identify an account class or subclass. This will be illustrated in section C below. Charts of accounts promulgated by trade associations often fit the definition assigned here to this term.

A uniform plan of accounting stipulates procedures relevant to a complete process of accounting, *i.e.*, the initial recording of transactions to be accounted for, the classification and summarization of these transactions, and finally the reporting of accounting data to users of financial information. Thus, for example, a uniform plan of accounting generally includes model or standard financial statement forms to be used in the reporting function. Also, a uniform plan of accounting necessarily includes a uniform chart of accounts. The former is significantly more inclusive than the latter. Accounting requirements imposed by regulatory commissions upon the American railroad and utilities industries are broadly uniform plans of accounting in terms of the definition given. The French *Plan Comptable Général* is decidedly a uniform plan of accounting.

Second, both uniform charts of accounts and uniform plans of accounting may be either national or sectional. If they are national, they are general enough in scope to permit adaptation to all economic units in a given country without loss of salient features. In other words, their basic schemes are wide enough to allow for use in all branches of industry, from heavy manufacturing and extracting to retail and service business. Similarly, they have the facility to encompass small firms as well as giant industrial concerns. The national uniform charts of accounts developed for Austria, Germany, and Switzerland fit this description.

Sectional uniform charts or plans, on the other hand, are geared to a specific

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<sup>5</sup>Lengyel, *Standardised Accountancy Considered Internationally*, I ACCOUNTING RESEARCH 134-35 (1949).

industry. They are developed with the particular industry in mind and provide for economic, organizational, and other peculiarities characteristic of the industry. A good example of a sectional uniform chart of accounts in actual use is the Swedish "M Chart," which is employed by members of the Swedish Association of Metal-working Industries.

Finally, a comprehensive distinction is made between any of the terms defined heretofore and the term "uniform accounting." Uniform accounting means the uniform treatment of all accounting methods, procedures, and concepts. It includes standardization of valuation applicable to accounting and specified treatment of accountable events like business combinations, inceptions of private pension plans, or receipt of governmental subsidies or tax concessions. The uniform plans of accounting enforced for American railroad companies allow for some flexibility of treatment of certain few events and transactions. Hence they still fall within the definition of a "plan." The French *Plan*, by contrast, is rigid throughout. It constitutes nothing less than "uniform accounting."

#### B. Relative Emphasis on Uniformity

In the United States, the concern over greater uniformity in accounting in general dates from the period following World War II. Scattered earlier admonitions, like the World War I bulletin of the Federal Reserve Board entitled "Approved Methods for the Preparation of Balance Sheet Statements" (1917), dealt only with partial aspects of accounting. Uniform charts and plans of accounting became mandatory in the regulated industries, but this again affected only certain segments of accounting activity. By and large, the main thrust of accounting uniformity endeavors remained within the confines of cost accounting.<sup>6</sup> Industry branches and trade associations have engaged in a wide variety of efforts directed toward more effective and more uniform accounting methods among their respective members—but predominantly in the area of cost or manufacturing accounting. Moreover, these efforts have occurred independently of each other. For example, the pertinent publications of the American Petroleum Institute are only distant cousins of those of the American Hotel Association.

Comparable developments in the United Kingdom are closely analogous. Quite a number of British business associations and federations have issued accounting guidelines to their members—with the bulk of these dealing with cost accounting matters only.

Continental European countries have placed their emphasis differently. Their efforts with accounting uniformity have been directed all along to accounting as a whole, including financial as well as manufacturing accounts. If either was treated alone, financial accounts usually received attention first. It is a distinguishing mark

<sup>6</sup> Lengyel, *supra* note 5, at 138.

of Continental uniform charts of accounts and plans of accounting that they incorporate close coordination between financial and manufacturing accounts. This coordination is a matter of pride with individual Continental authors on the subject, and the degree of closeness of this coordination is the principal differentiating feature between the respective thought properties of individual Continental countries.

The difference in emphasis accorded accounting uniformity between the Anglo-Saxon countries and the Continental European countries is responsible for considerable misunderstanding on both sides. The Americans and the British are unable to understand Continental excitement over matters that seem secondary and largely methodological in Anglo-Saxon terms of reference. On the other hand, Continental accountants are perplexed at the "newly found" uniformity issue in the United States.

### C. An Example: The *Plan Comptable Général*<sup>7</sup>

The latest official version of the French *Plan* is the 1957 revision. While its evolution is described in some detail below,<sup>8</sup> the present objective is to provide a cursory overview of the French uniform accounting system.

The *Plan* is virtually a codified handbook of accounting. It establishes a uniform chart of accounts, which is probably of interest to readers and is therefore shown as table one below. The *Plan* also provides standard financial statement forms and classification. In its text it lays down the fundamentals of recording transactions and movements between accounts. Moreover, it spells out valuation and reporting procedures. Thus it is a comprehensive, integrated system of accounting methods and procedures, *i.e.*, "principles."

Regarding accounting valuation, the *Plan* follows historical cost rules. For example, it requires valuation of inventories at weighted average cost ("prix de revient moyen pondéré") subject to the universally used lower of cost or market limitation. Certain price level adjustments are possible for inventories of raw materials.

Price level adjustments of fixed assets are no longer permitted in France, although substantial adjustments were possible before the January 1, 1951, cut-off date. Reserves created by asset revaluations appear as Account 118 in the *Plan*.

Depreciation is another topic which the *Plan* treats at length. Principal French depreciation rules are as follows: (1) an asset can be depreciated only by its legal owner; (2) depreciation must be taken regardless of the current period's operating results; (3) if depreciable assets are self-constructed, they must be completed before depreciation can be commenced; (4) aggregate depreciation can never exceed total purchase or construction costs (actual or price-level adjusted), and (5) depreciation

<sup>7</sup> CONSEIL NATIONAL DE LA COMPTABILITÉ, *PLAN COMPTABLE GÉNÉRAL* (1960).

<sup>8</sup> See pp. 865-66 *infra*.

THE FRENCH UNIFORM CHART OF ACCOUNTS  
(Plan Comptable Général)

BALANCE SHEET ACCOUNTS							OPERATING ACCOUNTS		P+L ACCOUNTS		INDUSTRIAL ACCOUNTS		INFORMATION ACCOUNTS						
Group 1		Group 2		Group 3		Group 4		Group 5		Group 6		Group 7		Group 8		Group 9		Group 0	
Equities		Permanent Assets		Inventories		"Outsider" Accounts		"Financial" Accounts		Expenses		Income		P+L Accounts		Cost Accounts		Special Accounts	
10	Capital Stock	20	Organization Expenses	30	Purchased Finished Goods	40	Suppliers (Accounts Payable)	50	Short-term Liabilities (Borrowings)	60	Purchases	70	Sales	80	Results of Operations	90	General Cost Control Accounts	00	Commitments
11	Capital Reserves	21	Fixed Assets	31	Raw Materials	41	Customers (Accounts Receivable)	51	Short-term Notes Receivable	61	Wages and Salaries	71	Operating Subsidies Received	81	Available	01	Cost Reclassifications		
12	Unprop. Retained Earnings	22	Available	32	Supplies	42	Personnel	52	Drafts Payable	62	Rest Taxes, Duties and Customs	72	Proceeds from Scrap Sales	82	Available	02	Cost Reclassifications		
13	Available	23	Construction in Progress	33	Scrap, Wasted Materials	43	Governments	53	Drafts Receivable	63	Outside Expenses (Rent, etc.)	73	Sales Discounts	83	Available	03	Direct Manufact'g Costs		
14	Equipment Subsidies Received	24	War Damage	34	Partly Finished Goods	44	Stockholders	54	Cheques	64	Freight, Transport Expenses	74	Sales Returns, Allowances	84	Available	04	Permanent Inventories		
15	Revenue Reserves	25	Long-term Receivables	35	Finished Goods	45	Affiliated Companies	55	Marketable Securities	65	Available	75	Available	85	Available	05	Available		
16	Long-term Liabilities	26	Participating Investments	36	Works in Progress	46	Misc. Outside Parties	56	Cash in Banks and Post Office	66	General Operating Expenses	76	Extraordinary Income	86	Intra-Company Accounts	06	Cost Variances		
17	Reciprocal Capital Accounts	27	Deposits, Guarantees	37	Packaging Materials	47	Accrued Liabilities	57	Cash on Hand	67	Interest Expense	77	Financial Income	87	Current P+L Accounts	07	Supplementary Costs		
18	Available	28	Available	38	Available	48	Deferred Charges	58	Advances	68	Depreciation, Amortization, Provisions	78	Charges Not Expensable	88	Appropriations of Current Earnings	08	Manufact'g P+L Account		
19	Available	29	Available	39	Available	49	Provisional Detrals, Accruals	59	Cash in Transit	69	Available	79	Available	89	Balance Sheet	09	Internal Adjustments		

Act. No. Comment NOTES

- 11 Includes paid-in capital in excess of par, statutory reserves, and price-level adjustment reserves.
- 15 Provisions made through P+L for contingencies, employee pension plans, asset replacements, etc.
- 17 For example, the reciprocal accounts in branch accounting.
- 24 Book value of assets destroyed during wars (where restorations or reparations are expected).
- 26 Controlling interest must be present.
- 55 All investments not eligible for Account No. 26.
- 62 Excluding income and profit taxes.
- 78 For example, costs relating to self-construction of fixed assets.
- 86 Such as used in the elimination of unrealized profit resulting from intracompany inventory transfers.
- 90 Control accounts ("comptes réflexifs") used to insure full autonomy of the cost accounting system.
- 95 Differences between actual and estimated (i.e., standard) costs, if the latter are used for cost accounting.
- 97 Costs which should not be charged to jobs or processes (for example, idle plant, inventory adjustments, etc.).
- 98 Constitutes part of Accounts Nos. 80 and 87, and is used for special managerial analyses.

should follow "approved rates."<sup>9</sup> Various industry groups have established "approved" depreciation rate schedules for their respective industries.

These few examples give some flavor of the uniformity of the *Plan*. In the inventory case, it straightforwardly permits only one inventory method. This is a manifestation of uniform accounting.

To accommodate the recording and reporting functions of accounting, the *Plan* installs a uniform chart of accounts based on the decimal system. There are ten groups of accounts, and each group has ten main accounts. Two-digit account numbers identify every main account, and this coding system applies to everyone using the *Plan*. For instance, construction in progress has account number twenty-three. So any firm in France which has construction in progress and uses the *Plan* will account for this item in account number twenty-three. Subsidiary accounts add a third digit to the decimal numbering code, sub-subsidiary accounts a fourth digit, and so on. The following example illustrates the numbering process:

<i>Acct. No.</i>	<i>Description</i>
68	Provision for amortization, depreciation, etc.
681	Amortization provisions
6811	Amortization of fixed assets
68112	Amortization of buildings
681123	Amortization of administrative buildings <sup>10</sup>

Table one gives the full chart of accounts underlying the *Plan*.

#### D. Scope of the Problem

The scope of the problem of greater accounting uniformity as it exists in the United States is discussed at some length by the authors of the other articles in this symposium. It is intended here to add some thoughts on its international dimension.

In many respects accounting is similar from country to country. Double-entry bookkeeping is in worldwide use, and nearly every set of systematic accounts is capable of producing periodic financial statements. Yet in several important respects accounting methods and concepts are not alike between countries. The LIFO method of inventory valuation is not accepted outside the United States, while Swedish practices allow substantial inventory reserves. Stock distributions are accounted for differently in different countries, and the United States distinction between poolings-of-interests and purchases in business combination makes little sense to accountants and businessmen abroad. More importantly, replacement-cost valuation is accepted in the Netherlands but not elsewhere, and price index adjust-

<sup>9</sup> CONSEIL NATIONAL DE LA COMPTABILITÉ, *PLAN COMPTABLE GÉNÉRAL* 95-98 (1960).

<sup>10</sup> Berry, *Uniform Accounting in France*, *The Accountant*, Feb. 26, 1949, p. 157, at 159. (Fixed assets are "amortized" in France; accounts receivable and inventories "depreciate," *i.e.*, become uncollectible or lose sales value, respectively.)

ments are practiced in a number of countries but not in others. Accounting should be the international language of business, but it is more a Tower of Babel. It is as nationalistic in its development and practice as atomic know-how or the competition among flag-carrying airlines.

The sharply increasing importance of international finance, international business investments, and international trade makes it imperative that greater international uniformity in accounting be given serious attention. Uniform international standards of accounting seem utopian at the present time. But this is not to say that a start toward such an eventual goal should not now be made. A beginning as modest as a universal distinction between current and long-term items in balance sheets would be a start in the right direction.

Investors in one country are purchasing securities of corporations incorporated in another country. Several billion dollars worth of foreign securities are listed on the New York Stock Exchange alone. The shares of many American corporations are listed or traded on major European stock exchanges. It would surely help to have the financial reports of the respective corporations readily understood internationally.

The flow of direct international business investments has affected many of the larger corporations in a host of countries. To make these investments rationally, to control them, and to compare them with other enterprises in the country of location would be facilitated if the diversity of accounting data among countries could be reduced.

Then there are the truly international corporations—companies owned and controlled in two or more nations and engaged in day-to-day business activities in as many as sixty and eighty different countries. Their operations somehow must be so reported in accounting terms that the international whole of the enterprise is clearly apparent.

It seems that accounting uniformity clearly has an international dimension. Problems on a national scale are a measure of parallel international problems. However, it does not necessarily follow that all national difficulties must be solved before attention is given to international complexities.

## II

### THREE APPROACHES TO THE SEARCH FOR ACCOUNTING UNIFORMITY

Analysis of the international frame of reference concerning uniformity in accounting yields the observation that in general three different approaches to the problem can be distinguished. Lines of separation between these approaches are not clear-cut. However, the basic concepts underlying each approach are sufficiently different to make the distinctions meaningful.

Actual experiences with uniformity suggest that sometimes a combination of

different approaches is employed to produce the desired result. This will become evident from the material contained in section III of this article. Despite comingling of conceptual building blocks in some actual cases, there is usually dominance by only one of the separate approaches set forth immediately below.

#### A. The Business Approach

The business approach to uniformity is oriented specifically to particular users of accounting data. It takes full account of the business characteristics and the business environment under which the data are collected, processed, and communicated. It is a pragmatic approach that relies heavily on convention. It loosely resembles the mechanism currently used in the United States to establish "generally accepted accounting principles," although its range of application is normally narrower than a complete national system of financial accounting. The approach is employed most frequently in the design of sectional uniform charts of accounts, *i.e.*, in the service of a branch of industry or trade.

The logical starting point for a business-approach-based uniformity effort is a comprehensive survey of accounting procedures employed by the accounting entities to be served by the uniformity scheme. Nature of transactions, relative frequency of transactions, and timing and measurement difficulties of transactions all are important parameters to which such a survey is likely to pay attention. Parallel inquiry is made into what the users of accounting reports require for their purposes and what relative weights must be attached to individual account or control figures. This gives the approach its pragmatic flavor.

After the survey steps, inductive reasoning is used to evolve an accounting system structure constrained by the more important transaction characteristics and the relative weights assigned to bits of accounting information important to the users of the information. This leads to the design of a uniform chart of accounts and could possibly be expanded to a uniform plan of accounting. The latter might prove difficult if substantial diversity of transaction character or user purposes exists.

A business approach underlies the development of the Swedish M-Chart already referred to. The classification of the M-Chart is given in table two.<sup>11</sup> It should be remembered that the M-Chart specifically serves companies of the Swedish metal-working industry.

In the M-Chart, financial accounts and cost accounts are clearly separated. The nature of the application of the chart dictates the relative emphasis on cost accounts. Also, there is a separation between debit and credit account classes (induced from an analysis of the nature of typical transactions). Only account classes 0 and 9 permit mixed entries—usually from period closings of the books of account. Error corrections fall outside the strict debit/credit dichotomy.

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<sup>11</sup> C. E. LINDH, BRIEF COMMENTARY TO THE STANDARD CHART OF ACCOUNTS OF THE SWEDISH ASSOCIATION OF METALWORKING INDUSTRIES 3 (1962).



TABLE 2  
THE SWEDISH M-CHART

Account Classes		
Financial accounting	0 Assets and liabilities	Debits and credits
	1 Expenditure incurred	Debits
Cost accounting	2 Costs distributed (as accrued)	Credits
	3 Overhead costs accrued (to cost centers)	Debits
	4 Overhead costs distributed (from cost centers)	Credits
	5 Manufacturing costs accrued (to production)	Debits
	6 Manufacturing costs distributed (from production)	Credits
	7 Costs of products sold, manufacture for cost, etc. (to various activities)	Debits
Financial Accounting	8 Revenues	Credits
	9 Results analysis and closing accounts	Debits and credits

The M-Chart has several features that illustrate the business approach on which it is based. Space limitations allow brief discussion of only a few of these features.

Account classes 3 and 4 as well as 5 and 6 are really just the separation of debit and credit sides, respectively, of the traditional manufacturing accounts—overhead costs and direct manufacturing costs. The separation draws forceful attention to manufacturing cost variances and to changes in the level of work-in-progress inventory. Reconciliation of the respective two sets of accounts becomes the focus of cost accounting activity.

Class 0 includes assets and liabilities plus owner's equity accounts. This class of accounts is normally divided between short-term and long-term accounts. The long-term accounts generally receive entries only at periodic intervals when the books are closed. For example, the plant accounts show only opening balances during an accounting period, and the cost additions to plant are charged to them at the time of closing the accounts. The reason for this is that all expenditures for plant acquisitions and purchases of goods and services are initially recorded in account class 1. Non-operating expenditures like interest and taxes paid are initially recorded in the same account class. Thus account class 1 provides a statistical summary of total expenditures—a figure of considerable operational significance.

Account class 2 receives the credits of all costs entering accounts as debits. For example, wage accruals and raw materials used are entered in this account class, as are additions to accumulated depreciation. In principle, this achieves independence between financial and cost accounts. The separate revenues account class (No. 8) further demonstrates this independence in principle.

Construction of the M-Chart allows a number of flexibilities to potential users. For example, the chart can be used with full costing, standard costing, prime costing, or any other costing procedure. Also, use of the chart is not restricted to any particular system of assets and liabilities valuation.

### B. The Economic Approach

The economic approach to accounting uniformity is in essence a macro approach. It has a social order premise because it is fundamentally linked to public policy. Implementation of this approach is normally based on public law and is enforced through public agencies or commissions. Technical accounting considerations are secondary when the economic approach obtains; national policy considerations are uppermost in determining extent and degree of uniformity to be achieved.

One of the bases for the economic approach to uniformity is the central control of industrial economic activity in a given country. This was the case in Nazi Germany between 1937 and 1945. During the mid-1930s Germany began a concentrated productivity drive coupled with rapid rearmament. Whole regrouping of industrial firms was undertaken, and uniform accounting was instituted to provide for the improvement of industrial efficiency and to yield reliable business statistics. Singer quotes from the 1937 decree that made uniform accounting mandatory in Germany:<sup>12</sup>

The new aims of the German economy call for increased output and efficiency from business undertakings. The fulfilment of this great task requires a thorough knowledge and a close control of all business transactions. Thus a well developed accounting system is a primary factor in the reorganization of industry. The public interest and in particular the aims of the Four-Year Plan demand that the accounting system of all firms should be arranged on uniform principles. Systematic mutual exchange of experience, especially in the form of comparative analysis of companies, will help towards this end.

Thus it is quite clear that national economic goals dictated the 1937 German move to uniform accounting. Prior technical work on uniformity by Schmalenbach and others was largely incidental to this development even though it proved useful. If no preliminary work had been available, the uniformity decree would certainly have been issued anyway. The desired goals were clear—a sufficient condition for the use of the economic approach.

<sup>12</sup> SINGER, *op. cit. supra* note 3, at 15.

Another basis for a macro rationale for uniformity derives from central economic planning and the role of economic statistics as tools in such planning. The importance of uniformly prepared accounting data is acute in a central planning function because (1) any plan is only as good as the data on which it is based and (2) there is a high degree of interdependence among firms and among sectors of an economy when all of their respective activities are governed by a master plan. Therefore, a national uniform plan of accounting or complete uniform accounting are prerequisite to effective central planning. This is best illustrated by the case of the Soviet Union. Campbell has demonstrated that accounting is more important in the Soviet economy than it is in Western economies.<sup>13</sup> Of necessity Soviet accounting must be uniform. It is unimportant, for the present purpose, that significant shortcomings plague accounting in the U.S.S.R. and that it is not fully able to furnish the control data expected from it.

Incidentally, I am convinced that French dabbling with some forms of central economic planning is not unrelated to French efforts toward general uniform accounting. Similar relationships are discernible in several of the developing countries around the globe.

A third category of conditions fostering the economic approach to uniformity can be described loosely as government interference with private business. These conditions range over a scale of manifestations and include, among others, government subsidies to firms or groups of firms, government guarantees in such areas as export financing, government credit to selected enterprises, and general or specific policies of price control. The policies giving rise to these conditions cannot be administered fairly unless they can be based on specifically stipulated accounting procedures. If this assertion can be accepted, a case can be made for some uniformity of accounting among the enterprises concerned. Again the French experience with industrial subsidies and accounting prerequisites therefor is a situation in point. Public economic policy served as the vehicle to provide an approach to accounting uniformity. Technical accounting matters had no overriding influence.

Finally, American experience with accounting for regulated industries fits the pattern developed in this subsection. In view of the treatment of this area elsewhere in this symposium,<sup>14</sup> elaboration is considered unnecessary here. But the reader should bear in mind that public policy on a question of a broad economic condition brought about the accounting uniformity now required in the regulated industries. Essentially an economic approach formed the basis for the regulation.

### C. The Technical Approach

The technical accounting approach to uniformity development is by and large restricted to the work of academics. This approach is analytical in that it attempts

<sup>13</sup> ROBERT W. CAMPBELL, *ACCOUNTING IN SOVIET PLANNING AND MANAGEMENT passim* (1963).

<sup>14</sup> Price, Walker & Spacek, *Accounting Uniformity in the Regulated Industries, supra*, pp. 824-49.

to derive uniformity schemes from the basic tenets of double-entry bookkeeping. It is also a general approach because direct attention is paid to specific industry characteristics of accounting transactions or accounting processes. Finally, the broad orientation of this approach is theoretical in nature. For example, it seeks to establish linkages between accounts of the same type so that they can be treated consistently within the over-all framework of a particular scheme.

A logical starting point for the technical approach is a comprehensive flow chart of the generalized accounting process. From this a general uniform chart of accounts is developed, which provides a double-entry structure for the flow process. From there the components of the structure are analyzed for theoretical content and rules or guidelines are devised for interaction between components and sets of components (*i.e.*, accounts and classes of accounts). At this stage certain assumptions can be postulated and their imposition on the previously evolved structure will furnish a total uniform plan of accounting. The assumptions to be made are those familiarly present in general accounting theory—a measure of value for the assignment of monetary amounts to transactions, assumptions as to the expected lifetime of the accounting entity, assumptions about deterministic limits of the reach of the accounting entity, assumptions about the point in production or sales activities when the profit or loss results of these activities should be drawn to account, and so forth. Treatment of a necessary and sufficient amount of assumptions as axioms will yield a system of uniform accounting.

The generality of the technical approach can be illustrated by reference to the fact that it is the conceptual basis of the various national uniform charts of accounts now existing in Europe. Professors of accounting (or business administration or business economics as the case may be) are invariably associated with the development of national uniform charts. Professor Schmalenbach stands out prominently in Germany. Others similarly concerned are Professors K. Käfer in Switzerland, L. L. Illetschko in Austria, and A. ter Vehn in Sweden. Of course, this is not an exhaustive list.

The Schmalenbach chart of accounts for Germany is of interest because it has widely influenced work on uniformity. Its basic elements are listed in table three.<sup>15</sup>

Three comments about the Schmalenbach chart will elaborate the technical approach underlying it. First, the account classification by transaction type serves notice that a conceptual difference exists between each of the four broad account categories. It is interesting to note, for example, that the typical present-day American multiple-step type of income statement recognizes this conceptual distinction virtually along the same lines as those set forth in the Schmalenbach chart.

Second, the chart is general in nature. It allegedly will serve any kind of business enterprise in a modern economic society—it is supposed to be adaptable to all

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<sup>15</sup> Käfer, lecture notes, *supra* note 4.

TABLE 3  
SCHMALENBACH'S UNIFORM CHART OF ACCOUNTS

Account Class	Transaction Type		Account Nature			
0	Inactive Accounts		Long-term Financial Accounts			
1			Short-term Financial Accounts			
2	A c t i v e  A c c o u n t s	A c c o u n t s  f o r t h e r n a l	Nonoperating Revenue & Expense			
3			O p e r a t i n g	Operating Costs and Expenses	Overhead	
4					Materials & Labor	
5					Not used	
6			A c c o u n t s	I n t e r n a l	A c c o u n t s	Service Centers
7						Producing Centers
8					Inventories of Goods Produced	
9					Revenue & Expense	

forms and sizes of business. It does not favor cost accounting as does the Swedish M-Chart, and by leaving one account classification unused (No. 5), it paves the way for use in very specialized circumstances where some special account category may have to be established. Also, the scheme is laid out in such a fashion that a non-manufacturing enterprise can readily use the chart structure without detriment to its over-all accounting process. Financial and cost accounts have independent relationships within the confines of the chart and could be used mutually exclusively.

Third, the decimal system of the chart was pervasive enough to have influenced nearly all subsequent work on uniform charts (including the examples given in tables one and two). The main logic of the decimal system is twofold. On the one hand it offers a convenient indexing system for accounts and subaccounts. Yet this is mechanical and no longer of consequence in our age of high-speed data processing techniques. More important, on the other hand, is the stratified linkage of accounts which it readily provides. For example, a given raw-material account may carry the index 4211. When this material is used in manufacturing, it may appear in a cost-center account 7211 and carry through to a goods-in-process account 8211. The same is true of many other accounting data flows under the chart system.

Transformations from one account class to another are thus not allowed to obscure the accounting bases of the items in question.

### III

#### SOME EXAMPLES OF ACCOUNTING UNIFORMITY

With some perspective of the international dimensions of the uniformity problem and some understanding of the approaches to its conceptual frame of reference, we may now profitably turn to a brief description of some case situations. Space limitations again prevent both a review of all countries in which some uniformity development has occurred and a complete account of the situation in any one country. The references listed at the end of this article contain more complete information on this score.

Germany, France, and Sweden were selected for a closer look because they are representative of three different sets of conditions. Germany moved from an early interest in uniformity matters to complete and largely compulsory uniform accounting under the Nazis, and finally to the present voluntary but fairly widely used sectional uniform system. France officially began her uniformity drive after World War II. Uniform accounting was then required of government-owned enterprises and those firms receiving government subsidies or significant tax concessions. Slowly other firms have been drawn into the uniformity system, and at present France can be described as the country with the strongest commitment to "uniform accounting for all." Sweden is different again. Several sectional uniform charts of accounts exist and are used in Sweden, but a national approach has never gained much ground and does not seem likely in the reasonably near future.

#### A. Germany

In Germany, as elsewhere, accounting uniformity endeavors began on a sectional basis with uniform charts of cost accounts. The rather rigid organization of German industry into cartels, syndicates, combines, and other collective entities required above all some uniform methods of cost accounting and control.<sup>16</sup> Thus in the period immediately following World War I several German industry groups laid down uniform costing systems for their members. During the same period, financial accounting uniformity was encouraged for tax reasons. In addition to income taxes, German corporations pay capital and sales taxes. Uniform accounting was thought to ease the burden of compliance with the accounting requirements for several different taxes.

The work of Schmalenbach in the late 1920s provided basically two advances, namely the conclusions that (1) a national uniform chart of accounts (instead of a series of sectional charts) was feasible and (2) financial accounts and cost accounts

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<sup>16</sup> SINGER, *op. cit.* *supra* note 3, ch. 2.

could and should be accommodated in the same chart. Ideas for uniform plans of accounting and eventually complete uniform accounting grew out of Schmalenbach's original work. Also, Schmalenbach gathered an influential school of followers around himself at the University of Cologne so that his ideas soon gained wide currency among several other German universities and their graduates.

Even though Schmalenbach was forced to retire from his university chair under the Nazi regime, his ideas carried on. It has been pointed out already that a 1937 decree made uniform accounting compulsory in Germany. Industry groups were charged with specific implementation of the decree. At that time the German economy was divided into thirty-three industry groups. Singer estimates that by January 1, 1940, uniform accounting was in universal use by all of these groups.<sup>17</sup> The same source quotes a German writer on the change-over:

[I]nitial distrust and reluctance to introduce the new system on the part of companies have been replaced by the conviction that here they have at their disposal an effective, indispensable instrument for analysis. The conviction of the necessity and desirability of standardized plans of accounts has penetrated surprisingly quickly.<sup>18</sup>

After the war—formally with the inception of the government of the German Federal Republic—many of the Nazi period decrees were rescinded. This included the 1937 decree and subsequent modifying decrees on uniform accounting. Therefore, no uniform charts of accounts or plans of accounting are now officially required in Germany. Uniformity has ceased to be a matter of government fiat.

Nevertheless, more than 100 uniform charts of accounts are presently in actual use in Germany.<sup>19</sup> These charts range from simple classifications for individual proprietorships and tradesmen to complex uniform plans of accounting for large industrial enterprises. Explanatory memoranda on accounting procedures and various schedules and auxiliary charts accompany the uniform charts of accounts. Each is issued and elaborated upon by respective trade associations or industrial federations. The nationwide German Federation of Industries is the author of the most comprehensive general uniform plan of accounting. This plan is urged upon those trade and industry groups that do not have a uniform accounting scheme of their own.

It is noteworthy that a bill to reform the German Companies Act was passed after six years of preparatory work by the German Bundestag in May 1965. The new act became effective on January 1, 1966. It has been hailed as one of the most significant pieces of economic legislation in Germany since the war. While the new act provides for several important reforms, including the lifting of the veil behind

<sup>17</sup> *Id.* at 17.

<sup>18</sup> *Ibid.*

<sup>19</sup> Most, *Classification and Coding—Official Charts of Accounts in Germany and France*, *The Accountant*, Jan. 26, 1957, p. 87.

which German companies have had considerable leeway in reporting their profits and a general strengthening of shareholders' positions in the affairs of their companies, it is completely silent on the matter of accounting uniformity.

### B. France

Prior to World War II, French attempts to standardize accounting bore little fruit. Some isolated writings on the topic began to appear around the turn of the last century, but they had no impact. In fact, all of French accounting development before 1940 was sporadic and on the whole unsatisfactory.

In 1930 some singular accounting regulations appeared for a few specific professions and types of business. Insurance companies became subject to codified and mandatory accounting regulation in 1938, and model balance sheets and income statements were prescribed for banks in 1942 and 1946.<sup>20</sup> This is generally regarded as the beginning of accounting regulation in France.

During the years 1942 to 1944, a System for Rational Organization of Accounts was prepared by the Accounting Committee of the National Committee for French Organization (CNOF). This system is based on double-entry bookkeeping principles and presents series of accounts through interrelated statements. Financial accounts are primary and related cost and budgetary accounts secondary. The primary and the secondary accounts are tied together with a system of contra or reciprocal accounts. This is achieved by the so-called "méthode de réflexion." French uniform accounting is based on this methodology.

The CNOF Accounting Committee also adopted a standard account classification and a decimal system for numbering accounts. In 1946 a ministerial commission was appointed to inquire further into the possibility of uniform accounting. Leaning heavily on the work of the earlier Committee, the commission presented its *Plan Comptable Général* in 1947, which found official approval by a decree dated September 14, 1947. Later in 1947 a National Accounting Council (*Conseil National de la Comptabilité*) was created which brought all previous efforts under its jurisdiction and which has guided French accounting affairs ever since.

The Council made changes in the *Plan Comptable Général* in both 1950 and 1957. It continually reviews the *Plan* and is charged with keeping it up to date. The burden of the 1957 change was the allowance of standard costs into the uniform system.

French uniform accounting, officially the *Plan Comptable Général*, has been mandatory since 1947 in publicly owned enterprises and in firms wherein the State or a public agency owns twenty per cent or more of the outstanding capital stock. Also, uniform accounting is required for firms that have received ten million francs or more of subventions from the State. Furthermore, companies that have revalued

<sup>20</sup> Garnier, *Uniform Accounting System in France*, 81 CANADIAN CHARTERED ACCOUNTANT 56-57 (1962).



their fixed assets according to government-promulgated price index coefficients are subject to certain accounting rules, account classifications, and valuation techniques specified by the *Plan*.

The *Plan* has proven to be a flexible and adaptable instrument so that many French companies have voluntarily adopted it. Loore estimated in 1962 the following percentages of adoption by the total of French companies:<sup>21</sup> eighty to ninety per cent of large enterprises, sixty to eighty per cent of medium enterprises, and forty to sixty per cent of small enterprises. This trend toward voluntary acceptance of uniform accounting prompted a December 28, 1959, decree which prescribed, in its article fifty-five, that the *Plan* will become obligatory for all French firms after a waiting period of five years under terms and conditions to be announced later.<sup>22</sup> To the writer's knowledge no further action has been taken to date on the 1959 decree.

Parenthetically, it might be noted that Belgian accountants have high praise for the success of the French *Plan*.<sup>23</sup> Consequently, the Belgian national uniform plan of accounting follows closely the structure and provisions of the French *Plan*. The Belgian plan was published in December 1961. Details of the Belgian plan and statistics of its rate of acceptance by the Belgian business community are not available at the time of this writing.

### C. Sweden

Accounting development in Sweden has generally been influenced by accounting thoughts and activities in other countries. While at present an American influence is felt in Swedish accounting, the German influence was dominant in the period before World War II. Thus it is easily explained that Swedish interest in accounting uniformity became apparent soon after the blossoming of Schmalenbach's ideas in Germany in the late 1920s. The Swedish Professor Albert ter Vehn, whose efforts are largely responsible for the conceptualization of the Swedish M-Chart, was a student of Schmalenbach at the University of Cologne.

Swedish efforts on behalf of greater accounting uniformity are restricted entirely to sectional endeavor, *i.e.*, concerned with industry groups. To the writer's knowledge a national uniform chart of accounts has never been proposed in Sweden.

The first Swedish industry to pursue uniformity in accounting was the metalworking industry. It faced complex accounting procedures due to elaborate production processes. In 1940 the Swedish Association of Metalworking Industries appointed a formal committee to study the matter of uniformity and to make appropriate recommendations. The result was the presentation, in 1945, of an in-

<sup>21</sup> Loore, *The Utility of Normalisation for Accountancy and Auditing*, Session M, Eighth International Congress of Accountants, New York, N.Y., 1962 (unpublished).

<sup>22</sup> Garnier, *supra* note 20, at 60.

<sup>23</sup> Loore, *supra* note 21, at 5.

dustry uniform chart of accounts together with a set of appropriate commentaries. This chart has become known as the M-Chart. Its basic classification was set forth earlier in this article in table two. Success in the use of this chart has led to its widespread adoption by firms in the Swedish metalworking industry.

Since experience with the M-Chart was generally good, other Swedish industry groups have proceeded with accounting uniformity along the same line. Using the M-Chart concept as a base, the Swedish textile industry has developed and is using a T-Chart, the shoe industry an S-Chart, electricity generating plants an E-Chart, and so on.<sup>24</sup> In this fashion the M-Chart has evolved a guideline standard for sectional uniform charts of accounts in Sweden. Its principles underlie directly and indirectly the accounting procedures used by a large portion of Swedish industry.

The concepts of the M-Chart are also used in a less formal sense in other industrial groups. For example, the chart of accounts used throughout the Scandinavian Airlines System (SAS) is based on the M-Chart.

Future uniformity developments in Sweden are most likely to follow the precedents now set. This means that some division along industry lines will probably continue.

#### IV

##### ADVANTAGES AND DISADVANTAGES OF ACCOUNTING UNIFORMITY FROM AN INTERNATIONAL VIEWPOINT

International discussion of the relative merits of uniformity is widespread and intense. To gain an overview of the arguments employed both pro and con, eight separate points are listed and described briefly for each side of the controversy. There is nothing significant about the choice of eight separate discussion items. This number was chosen completely arbitrarily and could have been enlarged without difficulty. Therefore, exhaustive treatment of the issues is neither attempted nor accomplished.

##### A. Alleged Advantages

One of the most often cited advantages of uniformity in accounting is the greater comparability it would afford among financial data of different enterprises and in different industries. It is said that greater uniformity would make security analysis more objective and would therefore assist in better allocation of economic resources among the users of capital. This line of reasoning is familiar to every reader of current American accounting literature and needs no elaboration here.

Kenneth Most seems to accept this argument *a priori*. He begins his discussion of the advantages of a uniform chart of accounts by writing,

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<sup>24</sup> LINDH, *op. cit.* *supra* note II, at 1.

Besides exercising a beneficial influence on the development of accounting theory and serving business economists in their comparative studies, the adoption of a standard or official chart of accounts for a particular trade or industry is of the greatest value to accountants in that trade or industry.<sup>25</sup>

Loore echoes this sentiment when he states that "accounting normalisation . . . [provides] a more efficient protection of the interest of third persons (shareholders, bondholders, bankers, suppliers, customers) by making the accountancy and financial documents more readable and comprehensible . . ."<sup>26</sup> Technically oriented discussions at times add the point that interfirm comparisons are more important than intrafirm consistency of reporting and detailed footnote disclosures in financial statements.

A second advantage of uniformity is asserted by claiming that it allows a more unified and more rational development of accounting theory. If accounting methods and procedures were securely established within a uniformity scheme, concern over accounting development could be directed more exclusively to theoretical matters. Only a minimum of attention would then have to be given to accounting methods and procedures, and the development of accounting theory could proceed more rationally because confusion over what is theory and what are methods and procedures would be greatly reduced. Furthermore, greater methods and procedures uniformity would foster more unified theory advances. As seen in the preceding quote from Most, he accepts this position without hesitation.

Another positive argument relates to the ease of initiating a new system of accounting and the improved transferability of accounting know-how and skills when personnel move from one firm to another. Again a quote from existing literature brings this into focus:

First, a good deal of preliminary discussion can be dispensed with, for the chief accountant can point to the recommendation of his trade association. Secondly, there is no necessity to work through one draft after another until a suitable chart is arrived at; the work is done once for all. Thirdly, the consequence of the general adoption of basically similar charts of accounts is that schools deal with them in their courses for bookkeeping students. The chief accountant can thus assume a certain familiarity with the technique on the part of his staff, which greatly facilitates the introduction of a new accounting system.<sup>27</sup>

This leads directly to a fourth advantage sometimes brought to bear. Training of accounting students could be coordinated more closely in that accounting curricula could be based on any existing uniformity scheme with the result of better technical preparation of students and greater immediate application of skills acquired during the educational process.

<sup>25</sup> Most, *supra* note 19, at 90.

<sup>26</sup> Loore, *supra* note 21, at 3.

<sup>27</sup> Most, *supra* note 19, at 91.

Still another advantage to which attention is directed has to do with the collection of reliable national income statistics. Accounting data comprise a significant part of national economic statistics, and the collection of these data would be facilitated and their direct use enhanced if they were prepared on a uniform basis.<sup>28</sup> This argument is particularly germane in the case of economically less developed countries. Their statistical methods are often limited by the availability of adequate resources, and they do not have the benefit of extensive trend series information for purposes of statistical corrections. Thus it is claimed that their need is especially great for correct current information that can be gathered easily and manipulated without complex data processing techniques and involved statistical methods.

Facility for national economic planning and control is the sixth advantage to be mentioned in the present enumeration. International accounting literature leaves little doubt that totalitarian systems have used uniform accounting to their advantage. This, it is asserted, has serious implications in our age of massive government regulation of economic processes, including pursuit of economic development goals as well as central efforts on behalf of economic stability. Singer states the first purpose served by a uniform system as follows: "to facilitate the planning of state [government] departments by supplying significant statistics based on uniform and known definitions."<sup>29</sup> Loore singles out the factor of price control. He states that uniformity would materially assist with price control efforts in periods of economic stress, whether they involve wars, strikes, or long economic recessions.<sup>30</sup> In any event, economic planning and control are major factors in international discussions of accounting uniformity.

The next item is the general proposition that uniformity would make for more equitable economic legislation, would better safeguard the public interest in economic affairs, and would allow more reasonable letting and administering of government contracts. More common costing rules would avoid relative advantages accruing to some individual firms from government orders. Labor negotiations would proceed on more factual bases, and possibly certain aspects of tax legislation could be improved if financial accounting were more uniform. Again assertions of this type appear relatively frequently in international accounting literature.

Finally, regional economic integration is said to benefit from accounting uniformity—with the European Common Market (ECM) usually cited as the most relevant example. The comment is made that the effectiveness of the European Coal and Steel Community would have been reduced greatly had it not been for some agreed-upon accounting uniformity among its members. Similarly, Euratom presumably depends on certain accounting uniformity principles. It is thought that

<sup>28</sup> Lengyel, *supra* note 5, at 141.

<sup>29</sup> SINGER, *op. cit.* *supra* note 3, at 50.

<sup>30</sup> Loore, *supra* note 21, at 3.

the free flow of production factors between ECM countries and the integration of private firm financial policies necessarily requires a degree of accounting standardization.

### B. Alleged Disadvantages

The first argument normally encountered in opposition to accounting uniformity is that it seeks to treat alike what are basically different—namely the various business activities and processes to be accounted for. Thus it is asserted that uniformity fundamentally runs counter to the actual nature of business. Here again we find that this thought process is well established in American accounting literature and therefore merits little additional space.

Certain technical points have their origins in experiences abroad and may thus be of interest. Singer relates, for example, that the cases of “mixed” undertakings created problems with uniformity in Germany:

Certain difficulties were bound to arise in the case of firms producing a variety of products and therefore members of different “groups” or “sub-groups.” . . . [P]ossibly four or more different rules for the various “groups” would have applied. For this reason the idea was abandoned and firms are now classified according to their “most important” product.<sup>31</sup>

Singer goes on to describe the special problems of vertically integrated firms that cut across several industrial activities but are accountable as a single enterprise.

A second line of argument rests on comparative analysis. The United States system of accounting flexibility is alleged to have developed farther than other systems in serving a broad securities market and the demands of a highly sophisticated financial community. Generally, American financial information reported to the public is comparatively more detailed, more comprehensive, and said to be more reliable than similar information available in other countries. Therefore, a disadvantage is imputed to uniform accounting on the basis of comparisons of actual or practical results achieved.

Third, uniform accounting is said to clash with the modern concept of managerially oriented accounting. Uniformity, it is argued, would find it difficult to accommodate propositions and techniques originating from business statistics, business economies, information systems considerations, and so on. Proponents of this premise assert that the frontiers of accounting lie outside the accounting discipline itself and that environmental factors will play an increasingly larger role in accounting development. They reach the conclusion that uniformity cannot properly serve expanded uses and purposes of accounting.

Another disadvantage attributed to uniformity is that it supposedly stultifies the development of accounting theory and practice by forcing it into a straitjacket. This

<sup>31</sup> SINGER, *op. cit. supra* note 3, at 24-25.

view has found expression variously. A relatively recent sample is available from the United Kingdom. Parker, in discussing the desirability of a uniform plan of accounting on a national or international scale, writes,

The dangers of such a project as they would appear to most British accountants are: (1) that the plan, if it was effective, would not be sufficiently flexible to accommodate varieties and changes of circumstances and to avoid forcing accounting into a particular mould in which it would tend to become unresponsive to the development of new ideas, new situations and new needs . . . .<sup>32</sup>

A related but somewhat different point is that accounting concepts and practices would be difficult to change under a uniformity scheme. Uniformity, it is claimed, could be effective only if arbitration and review procedures were made available, and the machinery for potential change would have to be so sizable and costly as to block needed changes or materially retard them. Furthermore, there would be general reluctance to change once a complete system had been installed and used by competitors and others. Uniform accounting required of American railroads may be regarded as an example of slowness or absence of needed changes once a uniform system has been put into operation.

Also cited as a disadvantage of uniformity is its costliness to smaller firms. Uniform plans are thought to favor the patterns of larger firms and thus often prove too elaborate for smaller enterprises. Furthermore, maintenance and change-over considerations are relatively more demanding in the small firm case. Describing the situation in Germany in November 1941, Singer relates, "It would appear that larger undertakings were by then using the model chart and plan but that a considerable number of the medium-sized and smaller undertakings both in industry and trade were slow in introducing the system."<sup>33</sup> An analogous observation was offered earlier in connection with the French *Plan*.<sup>34</sup>

Continuing this listing of alleged disadvantages, one finds mention of overemphasis, under uniformity, on the purely mechanical bookkeeping aspects of the accounting process. A uniform chart of accounts is in essence a mechanical device, and as such a device it is essential to all uniformity schemes. Therefore, the point is sometimes made that overconcern with accounting mechanics detracts from the more important aspects of theoretical considerations, professional qualifications, broadly based educational programs, and so forth.

Lastly, an international reservation against uniformity stems from the charge that if each country had its own rigid set of uniform accounting, accounting information would travel even less well between countries than is presently the case. In other words, there is concern that accounting should remain viable enough to adapt itself to the new demands of the international business community and should begin to

<sup>32</sup> Parker, *A European Plan of Accounts*, 75 ACCOUNTANCY 858, 859 (1964).

<sup>33</sup> SINGER, *op. cit. supra* note 3, at 27.

<sup>34</sup> See note 21 *supra* and accompanying text.

embrace a global point of view rather than national orientations. National uniform accounting, it is said, is not conducive to a much needed international perspective of accounting.

### C. Conclusions

The several arguments for and against accounting uniformity are not convincing for either case. Important constraints would seem to arise from each individual national accounting environment. There is much scope for additional study in this general area. The present symposium appears to be an important step in the direction of further serious study.

Actual experiences are also not an absolute guide to direct action. The United States system of relative flexibility seems to have produced results that are the envy of many theoreticians and practitioners abroad. On the other hand, the French experiment with rather rigid uniformity seems to have produced desirable results in that country. Present-day French accounting appears to be an important improvement over anything that ever existed in France before. The rather remarkable degree of voluntary acceptance of uniform accounting in France cannot be dismissed out of hand.

With this in mind, three general conclusions having a reasonable amount of support might be drawn:

(1) *Terminology for, concepts of, and approaches to uniformity differ widely.* This paper supports the proposition that accountants generally refer to "uniformity" in many different contexts. Substantial misunderstandings prevail due to loosely defined notions of uniformity. Thus it is of utmost importance that precise definitions be used in uniformity discussions. It was pointed out that fundamental differences exist between various approaches to uniformity and between basic concepts of uniformity. In the absence of a common working ground little more than empty motion can be achieved.

(2) *Complete uniform accounting is undesirable.* Despite its intrinsic intellectual appeal, complete uniform accounting seems unworkable in a complex industrial society that relies, at least in part, on economic market forces. Even the rigid systems operated in Germany and France had to allow for some leeway between industry groups and provide some independence among the traditional financial and cost accounting stratifications. Therefore, uniformity appears achievable only in terms of predetermined upper and lower limits of application. Complete uniform accounting in the abstract sense seems an impossibility in practice.

(3) *Industry group approaches to uniformity are most promising.* The material developed in this article suggests that the most promising approach to uniform charts of accounts as well as uniform plans of accounting lies in industry-group-based endeavor. Branch or sectional orientation apparently has produced the most

acceptable results internationally. Even the most uniform of all accounting, Nazi Germany's mandatory system operated during World War II, was unable to rid itself of specific ties to different industry and trade groups. This has direct implications for the respective loci at which over-all accounting rules and specific accounting rules should be authoritatively determined.

## V

## ADDENDUM

The only international accounting organization with an active and continuous commitment to greater international accounting uniformity is the *Union Européenne des Experts Comptables, Economiques et Financiers* (U.E.C.). This organization has as its charter members professional accounting organizations from twelve Continental European countries. In 1963, similar organizations from the United Kingdom and Scandinavia joined the U.E.C.

The 1951 charter of the U.E.C. has reference to a goal of promoting greater uniformity among the accounting concepts and practices of its members. On this premise the First U.E.C. Congress (1953) had as its theme "Accounting Uniformity and Economic Integration." A permanent commission was set up to investigate the feasibility of a European Uniform Chart of Accounts. This commission has reported periodically on existing differences in U.E.C. member countries.

A first decisive move in the direction of a European Uniform Chart of Accounts came in the form of a technical session on this topic at the Fifth U.E.C. Congress (1964). Two technical papers were presented on behalf of a European Uniform Chart, and summarization and discussion of the papers followed. Since the proceedings of this latest U.E.C. Congress have not yet been published, further details are unavailable at the time of this writing.

U.E.C. commitment to the cause of accounting uniformity—uniformity in Europe, that is—illustrates yet another of the international dimensions of this problem.