

AMERICAN ACCOUNTANTS AND THEIR CONTRIBUTIONS TO ACCOUNTING THOUGHT, 1900–1930

John J. Kahle

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CONTENTS

Foreword to the Garland Edition	vii
Preface	ix
Introduction	1

Chapter I

Spurgeon Bell	8
James H. Bliss	12
William Morse Cole	17
Sir Arthur Lowes Dickinson	21
DeWitt Carl Eggleston	28
Paul-Joseph Esquerre	32
Harry Anson Finney	36
Stephen Gilman	40
Harry G. Guthmann	45

Chapter II

Henry Rand Hatfield	50
David Himmelblau	57
Roy Bernard Kester	61
Joseph Jerome Klein	66
Ananias Charles Littleton	72
James Oscar McKinsey	77
Robert H. Montgomery	83
George Hillis Newlove	94

Chapter III

Jerome Lee Nicholson	98
William Andrew Paton	101
Charles Forrest Rittenhouse	107
Earl Adolphus Saliers	110
D. R. Scott	115
Clinton Homer Scovell	119
Charles Ezra Sprague	123
Ross Graham Walker	129
John R. Wildman	133
Conclusion	138
Appendixes	147
Bibliography	186

FOREWORD TO THE GARLAND EDITION

Today, nearly two decades after I completed my doctoral studies at the University of Florida, I was pleased to learn that Professor Brief has chosen to reprint the thesis of John J. Kahle, *American Accountants and Their Contributions to Accounting Thought*, completed in 1956.

This study, which profiles 26 individuals, is a useful, albeit limited, early example of biographical description (yes, D.R. Scott *should* read DR Scott).

The important value of Kahle's thesis today is its ready reference quality. It provides a biographical sketch and bibliography of those individuals who have been, as yet, not fully studied — persons such as Bliss, Eggleston, Klein, Saliers, among others. The appendices also provide an example of awards, events and dates considered important at the time the study was undertaken.

We are fortunate to be able to add this item to the working inventory of biographical literature. It restores the availability of a set of useful profiles — and reacquaints us with the personalities of a generation which is in peril of becoming extinct — at least from the living memories of those whose ranks are swiftly being depleted by the passage of time.

Thanks again to Professor Brief and Garland for assisting in preserving this valuable study.

Gary John Previts
Weatherhead School of Management
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Cleveland, Ohio
June 5, 1992

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PREFACE

The growth of any field of human knowledge goes hand in hand with the growth of those ideas, both theoretic and practical, which are allied with that field. Thus, accounting carries with its history a vast number of ideas which have slowly but surely developed along with it. According to Professor Sanders¹ the characteristic evolution of new thought in accounting is quite similar to that which takes place in law. First come the practical adaptations and new devices designed by accountants and financial men to deal with the exigencies of a constantly changing world. Secondly, those who are sufficiently versed in the theory of accounting evaluate the new concepts of accountants and report their findings in appropriate periodicals and occasional papers. Finally, formal treatises are written which absorb and systematize the reports of the occasional papers.

The present dissertation is in the main an attempt to relate the story of this three-fold evolution as it took place during the first three decades of the present century in the United States. In particular it will deal with those individuals who were for the most part responsible for it. In other words, primary emphasis will be on men whose pioneering efforts actually brought into being the fruits of the three steps outlined above.² It was they who, with perseverance and zeal, recorded their observations of the actual workings of the myriad adaptations and new devices which had slowly eased their way into accounting theory and practice in the States during the first thirty years of this century.

Before setting down a general outline, it would be well to point out that it has not been an easy task to determine the twenty or twenty-five leading American pioneers most worthy of discussion. The names were

determined after a most thorough examination and review of accounting literature from 1900 to 1930.³ Indeed, after the turn of the century and particularly in the late teens and early twenties there came a great influx of accounting literature. There were numerous contributors, but obviously all were not of the same calibre.

Lawton, in his review of the fifth edition of Charles Ezra Sprague's *The Philosophy of Accounts*, has set forth a suitable definition of an accounting pioneer. He described him as

one who has blazed a trail of broad principles, marking the path that must be followed by future generations, trails that humbler workers may smooth and broaden, as woodland and prairie trails have been transformed into smooth pikes and shining rails, but whose direction cannot be changed.⁴

It is to this group that the present work is devoted. These were the men whose articles and treatises were lauded both by their contemporaries and those who were to follow. Some, in fact quite a number, of the individuals treated were most prolific writers, but this fact was not the primary criterion for their being selected. Of paramount importance is the quality of their writings.

It should be noted further that the present writer does not attempt to settle definitively who were *the* ten, twenty, etc., "best" or foremost contributors to accounting literature during the period under observation, but rather merely to point out those men who by their writings seem to have led the way for others. As far as the writer has been able to ascertain there has been to date no particular author who has boldly stated that a certain number must or should be included in such a list. In a matter as relative as this there are always bound to be differing opinions. Present-day authors will inevitably differ in their appraisal of those who have written more than a quarter of a century ago.

Thus, although the present writer has attempted to single out for recognition those men most worthy of it, he by no means wishes to give the reader the impression that the list of men selected for use in this dissertation forms the last word on the subject nor that it admits of no exceptions.

Now for an over-all conspectus of the study itself. The work has been divided into three principal parts. In the Introduction the writer has attempted to trace the development of thought and the general tendencies which prevailed in accounting literature for the brief period prior to and the period during the first three decades of the twentieth century.

Chapters I, II, and III embody the major portion of the study. In these chapters the writer has treated the authors in alphabetical order, and has given a brief biographical sketch of each. These sketches include information concerning each man's origin, his educational background, his teaching experiences, his experiences as an accounting practitioner (if any), and other relevant details.⁵ After this brief description of the principal points of each writer's life follows a discussion, based upon the comments of either contemporary or subsequent reviewers, of each one's principal contributions to accounting literature.⁶ The present writer concludes this work by setting down his own impressions of the over-all picture, drawing conclusions from and basing his remarks on the combined contents of the Introduction and the three chapters which follow.

Several final remarks need be made before turning to the Introduction. In the first place it must be pointed out, lest the reader be confused, that the general bibliography consists of references directly employed in the writing of this dissertation, while, on the other hand, Appendix F contains a listing of the titles of books and periodical articles by authors in order to quickly ascertain the extent of each pioneer's contributions. Secondly and lastly, although the principal emphasis of this work is centered on the years 1900 to 1930, in several instances, viz., in the case of Scott, Littleton, Gilman, and Guthman, it was found helpful to extend the discussion of a particular author's foremost contributions to accounting literature beyond 1930. These remarks will obviate any questions the reader might otherwise have upon noticing that in the body of this work treatises written later than 1930 are discussed.

NOTES

¹Thomas H. Sanders, "Significant Recent Accounting Literature," *Harvard Business Review*, XV, No. 3 (Spring 1937), 366.

²In order to serve somewhat as a source book for anyone who would desire particularly to explore more fully the thinking of these pioneers the present writer has compiled a bibliography of books and periodical articles which these American accountants contributed to accounting literature in the States from 1900 to 1930. This enumeration comprises Appendix F of this work.

³The fact that the present work is limited to the terminal years 1900 and 1930 does not mean that there were no contributions made prior to 1900. Because there

appears to be very few *important* contributions made to accounting thought before 1900 it was deemed advisable to limit the present study to the first thirty years of the present century. Anyone interested in determining American contributions to accounting though before the period designated will find them enumerated in the first volume of H.C. Bentley's two-volume work, *Bibliography of Works on Accounting by American Authors*.

⁴W.H. Lawton, Review of *The Philosophy of Accounts*, 5th ed. by Charles Ezra Sprague, *The Journal of Accountancy*, XXXV, No. 1 (January, 1923), 67–8.

⁵The enumeration of the various organizations and societies of which each of the individuals was a member is not meant to be all-inclusive. Only those which were found in the biographical sources have been listed. Since such sources are of a highly synthesized nature it is quite probable that a particular individual participated in other organizations which, in order to conserve valuable space, have been omitted.

⁶Contributions have been evaluated primarily from the standpoint of books, which were more accessible and which were generally reviewed by competent authorities.

American Accountants and Their Contributions to

Accounting Thought--1900-1930

Introduction

According to Littleton,

Whether in the incubation period between the years 1200 and 1500, or in the four hundred years of adolescence between 1500 and 1900, or in the period of young manhood since 1900, the explanation of accounting is always to be found in the financial requirements of the time. Accounting and the literature of accounting have grown only as commerce and industry have grown; never far ahead, yet never lagging. Never far ahead of the needs of commerce, yet always offering more than most enterprises of the time were ready to use; never far behind the needs of industry, yet always developing when the need became urgent. It has always been so in the twentieth century as well as in the Middle Ages.¹

Further on in the article just quoted the author remarks that the new developments of the period of accounting literature's youth, i.e., the period since 1900, were largely mothered by the factory system. It was with the works of such English pioneers as Pixley, Dicksee, Garcke, Fells, and others that the period of the young manhood of accounting literature actually began and that of adolescence terminated.²

From that time on writers began to emancipate themselves from the purely

¹A. C. Littleton, "The Development of Account Literature," The American Association of University Instructors in Accounting, Publications, IX, No. 2 (December, 1925), 7.

²Littleton notes that while the year 1900 has no special significance in its serving as the commencement year of the young manhood in the continuous development of accounting literature, it nevertheless is a date convenient to remember as the beginning of the present period and one which is closely allied with the transition from small to large enterprises. cf. Littleton, op. cit., p. 11.

recording aspect of accounting. Not content merely to imitate the works of their predecessors, they struck out into new paths. Writers of the several decades prior to 1900, e.g., Pixley in his Duties of Auditors (1881), and Dicksee in his Auditing (1892), show this fact unmistakably. These men were first to recognize the new educational needs, and who accordingly wrote not merely of bookkeeping practice but rather of accounting science. Hatfield, in comparing this new generation with its forerunner, remarked in a similar vein:

But the present generation starts a new line of texts. Accounting treatises, beginning with Pixley and Dicksee, taught accounting. They dealt with its theory and really wrestled with the unsettled problems of valuation, of the apportionment of depreciation, of how to tell an asset from an expense and, ever and above all, the determination of profits. If fewer of the books were called "science of accounts," they were, as never before, rigidly and boldly scientific, at least in the sense that they attempted the formulation of a definite body of knowledge dealing with a specific limited sphere.¹

Once these germs had matured and spread throughout England it was only a relatively short time before they penetrated the United States. Hence, the decade from 1900 to 1910 witnessed a healthy growth in accounting works which, for the most part, were along the lines marked out by the English pioneers just referred to. One of the more patent examples of this development took place in 1905, when Montgomery was induced to edit an American edition of Dicksee's Auditing because of the rapidly increasing divergencies in practice here and abroad. Only several years later, however, the appearance of Sprague's The Philosophy of Accounts (1907), Hatfield's Modern Accounting (1909), and Nicholson's Factory Organization and Costs (1909), may be said to mark the real beginning of American contributions.²

Before continuing this article on the development of accounting literature,

¹Henry Rand Hatfield, Review of Managerial Accounting, by James Oscar McKinsey, The Journal of Accountancy, XXXIX, No. 5(May, 1925), 432.

²A. C. Littleton, op. cit., p. 12.

Littleton most deftly pauses to pay the following fine tribute to the gentlemen just mentioned:

It is difficult to express our indebtedness to these and other writers of this period, for they widened the horizon of accounting greatly by the breadth of their vision. We may be sure they realized that the growing profession had urgent need of the written word--of digested practical experience and systematic thinking formulated into principles. They saw that education by precept and example alone was too slow and inefficient to be an effective means of passing on the wealth of knowledge already available and so much needed for continued progress. They saw the need, and the responses, forming as they do the foundations for subsequent publications, have left their indelible imprint upon the profession.¹

During the first thirty years of the present century there were certain factors which stimulated writing in the field of accounting. They were years marked by gigantic combinations of capital, by far-reaching banking reform, by a great war, and for the most part by conditions of general prosperity. Also influential were the augmentation of governmental regulation of public utilities, cost-plus contracts, and Federal and State income tax laws. These conditions produced three momentous reactions from accounting. First, there was an increased interest in accounting generally. In the second place, there was a most speedy growth of collegiate instruction in accounting. Finally, in comparison with years gone by, there was a tremendous output of books on accounting.

The aforementioned responses followed each other quite logically. Yet, there seemed to be a fourth reaction. As the years passed increasing numbers of books on accounting were being written by educators rather than professional practitioners. As Lawton² noted, such a response was only natural in view of the growing number of accounting courses which were then being installed in colleges and universities throughout the United States. Those intending to make accountancy their profession were not alone in realizing that knowledge of the

¹Ibid.

²W. H. Lawton, Review of Accounts in Theory and Practice, by Earl A. Saliers, The Journal of Accountancy, XXX, No. 6(December, 1920), 471.

principles of accounting was a very necessary part of the equipment for any business or profession. Thus, it was only a natural consequence that books began to be written by teachers of accounting in great number. True, such books were text-books pure and simple, but it would have been a mistake to pronounce them superfluous merely because they taught what had been advanced as a standard by professionals. These writers were practically pioneers blazing the pedagogical ways of accounting; and just as active practitioners had after long years attained some degree of success in standardizing theory and practice, so did educators, to some extent at least, gradually standardize the methods of teaching them.

In the various writings which flowed from the pens of educators and practitioners alike during these early manhood years there can be detected several outstanding tendencies. By following Littleton¹ and Paton² one can get a fairly comprehensive picture of the more important tendencies in accounting literature during the period under review.

The apparent tendency to give separate consideration to the theory and the practice of accounting was perhaps the most important general characteristic visible in the writings which appeared during these years, especially the years from 1915 on. Under this more general tendency were several particularly evident tendencies within each of the two camps of theoretical and practical writers.

Concentrating first on the theoretical aspect, accounting literature developed in the direction of wider and more reasonable points of view, i.e.,

¹A. C. Littleton, op. cit., pp. 13-4.

²William A. Paton, "Tendencies in Accounting Literature," The American Association of University Instructors in Accounting, Papers and Proceedings of the Ninth Annual Meeting (Chicago, Ill., 1924), IX, No. 1 (February, 1925), 64-9.

the willingness of those especially devoted to principles to recognize and emphasize the underlying aims and purposes of accounting. This tendency was aptly exemplified by those publications which leaned toward a philosophical exposition of accounting; such works built up accounting principles on a strictly logical basis.

Another feature of writings which treated principles was that which tended to avoid the strictly mercantile point of view. A most satisfactory reason for the existence of this tendency was expressed by Paton:

In this connection it may be pointed out that the tendency in literature which I am trying to indicate may be viewed as merely a reflection, occurring somewhat belatedly, of industrial developments. Undoubtedly literature tends to lag behind practice in some respects, and the trends in literature in some measure represent the recognition of business changes and accompanying and consequent developments in the art of accounting.¹

This quotation, taken from a paper which Paton delivered at the Ninth Annual Meeting of the American Association of University Instructors in Accounting in Chicago, 1924, later furnished a topic of discussion by several other members of the Association. One of them, Professor Kester, backed up Professor Paton's words by making the remark that he thought that Paton had summed up the true situation of the tendencies in accounting literature by his statement

that literature must almost from necessity lag behind practice in a given field. Until principles, particularly new principles, have been submitted to the test of practice they do not usually find their way into the literature of the subject which is supposed to deal with established and accepted principles and methods of doing things. . . .²

A third tendency found in the literature on accounting principles consists in laying more emphasis upon income accounting, i.e., in stressing the point of view of income reports rather than that of the balance sheet. The balance sheet

¹William A. Paton, op. cit., p. 67.

²Roy B. Kester. "Discussion," The American Association of University Instructors in Accounting, Papers and Proceedings of the Ninth Annual Meeting (Chicago, Ill., 1924), IX, No. 1 (February, 1925), 86.

was no longer recognized as the only accounting statement, for accountants began to realize that the operating and income report were of equal practical value. Hence, deserved attention was given to the problem of the nature and form of the operating and income report.

The more general tendency to treat separately the aspect of practice in accounting also had several important corollaries. Many authors, having in mind the various viewpoints of the private accountant and business executive, began to investigate the many special phases of accounting in which he was or would be soon involved. There began to develop a literature of managerial accounting, one which was keyed toward the solution of the many managerial problems encountered by the executive and his assistants. This literature represented a definite step forward in the formulation of the specific needs of management and the working out of the accounting and statistical methods and various other procedures necessary to meet these demands.

Nor did the literature in the field of public accounting lie dormant. The setting to writing of the various aspects of current practice led to a marked appreciation for the widening scope of the professional accountant's function. This was especially true with regard to auditing.

The tendency toward a development of special applications of accounting seems to have flowed also from the general tendency to treat separately the practical side of accounting. Consequently, there arose a great number of lengthy treatises which dealt with the accounting set-up for special classes of business, as, for example, general contractor accounting, meat-packing accounting, coal mine accounting, brokerage accounting, municipal accounting, and so forth.

Another tendency, and one already hinted at in the previous discussion of the increase in the number of writers among accounting teachers, was an

ever-growing number of textbooks. Classroom experience, stemming from accounting classes in universities, brought to light the fact that business required trained thinkers as well as trained bookkeepers and clerks. In response to those needs there appeared an accounting literature of textbooks and special treatises which steadily grew in volume and refinement of analysis.

Having investigated some of the most perceptible turns in accounting literature for the first third of the present century, it is now fitting that the discussion focus itself on the men who were in many instances responsible for the actual existence of these tendencies. The tendencies themselves were certainly effects, and as such demanded either remote or proximate influences. While, as has been seen, the remote causes were more than likely to be found among English writers in accountancy, the proximate causes were here in the United States. Hence, it is to the leading pioneer contributors to accounting thought and literature that the investigation now turns. For it was precisely because of the keen foresight and daring efforts of these men that both accounting theory and accounting practice made and presently continue to make great strides forward. It should be noted that the writers spoken of in the subsequent chapters have for convenience sake been arranged alphabetically.