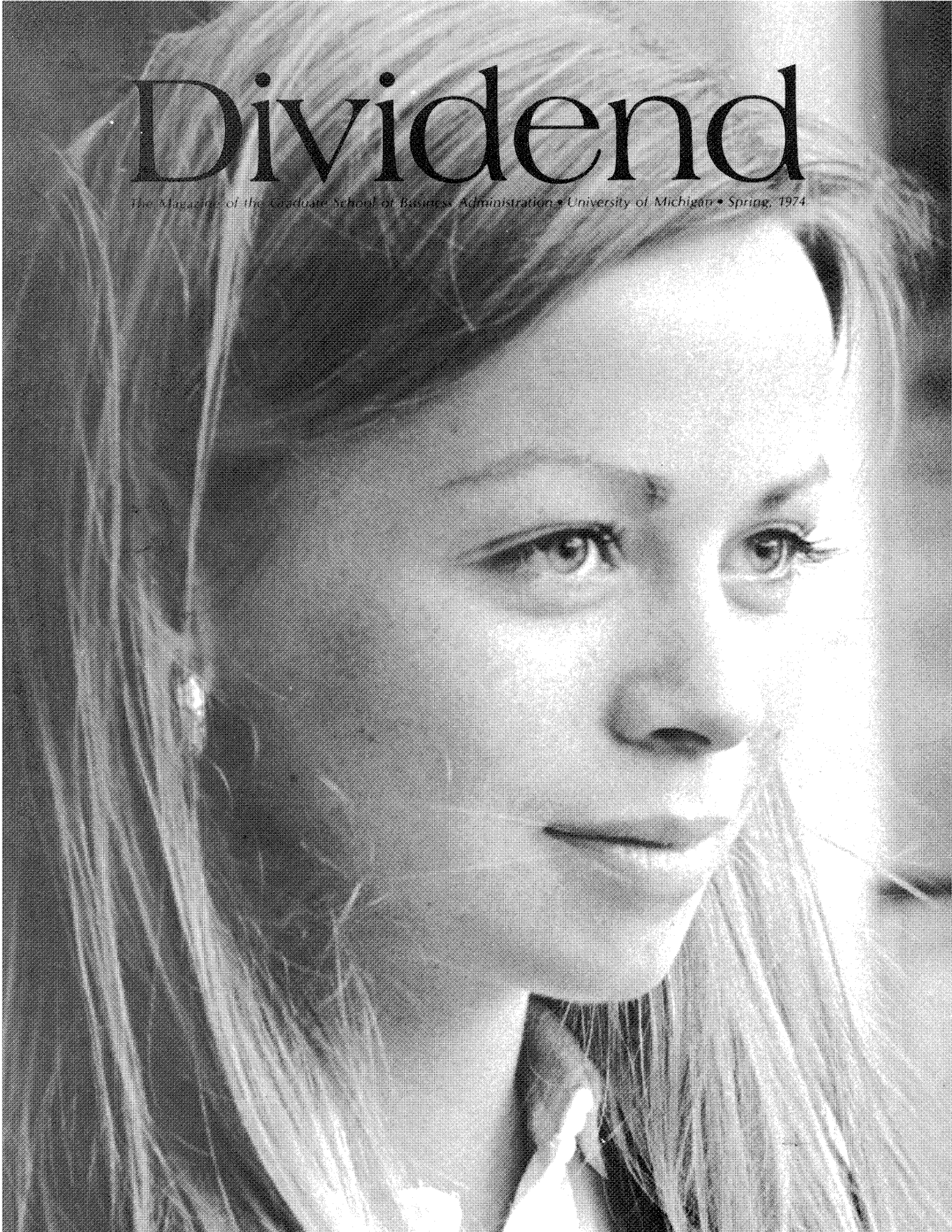


# Dividend

The Magazine of the Graduate School of Business Administration • University of Michigan • Spring, 1974





**About the Cover . . .**

On our cover is Mary Finlayson, a first year BBA student and one of four members of the Finlayson family attending the Business School this year. The romance of their parents, Robert and Louise Finlayson, began when they met in a classroom at the Business School in the 1940s. Mr. Finlayson (BBA '47, MBA '48) is a CPA with Ernst and Ernst in New York. He is pictured lower left on this page. Clockwise on the page are, Mr. Finlayson; Ann, a first year MBA student; the family together during a recent visit in Ann Arbor; Mrs. Finlayson; Bob, a first year MBA student; and Sarah, a first year BBA student who is the twin sister of Mary.

(Photos by Stuart G. Abbey)



# Dividend

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*Volume V, No. 3*

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## **Current Issues in Accounting A Dividend Interview 4**

D. H. Skadden, Arthur Young Distinguished Professor of Accounting, tackles such questions as: Who should control the profession? How should accounting principles be established? How will education for accountancy change? How should accountants handle inflation?

## **Changes and Forecasts by Guy W. Trump 8**

The rapid change that has overtaken the accounting profession, both in growth and scope, and some forecasts as to what that may mean in the future, are discussed by Guy Trump, vice-president—education, of the American Institute of Certified Public Accountants.

## **“Mercury in the Head, and Lead in the Tail” 10**

*by Herbert F. Taggart*

The Francis E. Ross Collection of Accounting Books contains some very interesting items, including “Advice to the Women and Maidens of London” and the account book of the Earl of Dumferling, dated 1652. Herbert F. Taggart, professor emeritus of accounting, gives us an entertaining description of parts of the collection.

## **The Paton Accounting Center 13**

A portfolio of architect’s drawings and floor plans, together with some explanation of costs and financing of the proposed Paton Center.

## **John Caldwell Colt by Francis E. Ross 17**

John Colt was an accountant, author, teacher, lecturer, dabbler in engineering, law, farming and trade, and the central figure in a sensational New York tragedy in 1841. Here Francis Ross, whose hobby of collecting old accounting books first led him to Colt’s story, gives us an account of the life of this early American accountant.

## **Among Ourselves 20**

Associates Seminar held on corporate strategy; Director named of Division of Research; Kresge Chairman receives Business Leadership Award; productivity research projects described, and a wonderful old picture of former business school faculty is printed.

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Current Issues in Accounting:

How should accountants deal with the impact of inflation?

Who should control the profession?

How should accounting principles be established?

How will education for accountancy change?

**An interview with Donald H. Skadden  
Arthur Young Distinguished Professor of Accounting**



*Professor Donald H. Skadden*

*Editor's Note:* Donald H. Skadden is the newly appointed Arthur Young Distinguished Professor of Accounting at the University of Michigan Business School. Before joining our faculty, he was professor of accounting at the University of Illinois in Urbana, Ill. He was an alderman of the City of Urbana for eight years, and in 1969 was elected mayor. He is a trustee of the National Center for Automated Information Retrieval and chairman of the AICPA Tax Publications Committee, as well as a member of the editorial board of *The Accounting Review*. He has published numerous articles on accounting and is the author of *Federal Income Taxation: A Student Workbook*, published in 1965 by Ronald Press.

Q. *What do you think are the major issues in the field of accountancy today?*

A. There are so many significant issues facing the profession today we probably cannot even identify all of them in one interview, let alone try to discuss them in detail. But in order to get a handle on this, it seems to me the major issues might be classified into three areas: theoretical matters (and some of these, such as how to account for the impact of

inflation, have tremendously broad implications); matters of administration or governance of the profession; and education matters. All of them have controversial elements—and we obviously can't cover them all in depth in one interview—or maybe even in a six volume book.

Q. *Is there any one issue that seems to be most significant?*

A. I think governance is a very important question. That is, who will control the growth and development of the body of knowledge and the establishment of accounting principles? And who will control the actions of individuals and firms within the profession?

Q. *Who has been controlling these factors?*

A. Control is really shared by the profession itself and various government entities. For example, the various state CPA laws establish minimum education and experience requirements for receiving or retaining a license to practice as a CPA, and the profession's own Code of Professional Ethics also exerts substantial control over the interaction of CPAs with each other, with their clients and with the public. In the establishment of accounting principles the primary responsibility rests with the profession through such organizations as the FASB (Financial Accounting Standards Board) and the various professional societies, but several governmental bodies, such as SEC, CASP and IRS have the authority and the potential to dictate actions of critical importance to the profession.

Q. *And why haven't these controlling bodies been adequate? Or, to put it another way, with all these interactive controlling bodies in existence, why is control an important issue in accounting?*

A. As Trump mentions in his article, the profession has seen tremendous growth in a relatively short period of time. This growth has come in several aspects of the profession—huge increases in the numbers of CPAs and substantial expansion of the scope of the CPA's consulting activities as well as the knowledge explosion that

has affected all professions. Thus accountants are experiencing both the degree and the rapidity of change that Alvin Toffler describes so well in *Future Shock*. Critics, both within and without the profession, seem to feel that our control mechanisms have not been able to grow and adapt to all these changes.

Q. *So who will be controlling these factors?*

A. I am optimistic enough to believe that the profession itself will retain the power of basic self-determination, but realistic enough to know that government influence and control in one degree or another is present in every facet of our lives. I see no reduction coming in this government control, so I think what we will have is self determination with the government looking over our shoulders. The government sets certain parameters—but there is a fine line between setting parameters and de facto control. And the government will certainly “prod” us along if we do not or cannot control things ourselves.

Q. *How does the profession really go about identifying or establishing accounting principles?*

A. Down through the years many highly competent, highly conscientious CPAs have donated their time and talents to this important endeavor. Various AICPA committees have played key roles—the most recent being the Accounting Principles Board which existed from 1959 until just last year. During that period the APB issued 31 official opinions on accounting matters. However, since this was officially a committee of the AICPA, since all members were CPAs and most were actually engaged in public practice, some people felt that it was difficult for the APB members to divorce themselves from client pressures or client viewpoints. Unfortunately, no matter how conscientiously the members exercised their independent judgements, there was always a lingering doubt, or at least an appearance that they lacked sufficient independence. Others criticized the Board's rate of progress.

Thus for a variety of reasons it was concluded that some new approach was desirable.

Q. *And so what was done?*

A. In 1971 a blue ribbon committee was appointed by the AICPA to investigate the problem and propose solutions as to how accounting standards should be established. They recommended the establishment of a multi-tiered mechanism, separated from the AICPA, to be supervised by a new Financial Accounting Foundation, the trustees of which would be nominated by five different professional societies. The trustees in turn were to appoint a new seven member FASB. Only four of these seven were required to be CPAs. Members are appointed for five years and can serve no more than two terms.

Q. *Has this been accomplished?*

A. Yes. The new FASB was created in 1972 and the members were required to resign all other affiliations. They are absolutely top-flight people in the profession and the remuneration is not small. It amounts to \$100,000 per year. Thus the people who sit on that Board can be entirely independent of outside pressures. A 27 member Advisory Council was also created. These are well known, well respected members of the profession and the business world who serve voluntarily on a part-time basis.

Q. *Who pays those salaries?*

A. The FAF trustees were charged with the responsibility of securing the necessary financial support. As I understand it, they have secured sufficient funding—all from non-governmental sources—to underwrite at least five years of FASB operations at three million dollars per year.

Q. *Is the Board sort of a supreme court of accounting?*

A. Not really. It does not address itself primarily to controversies which are brought to it by outside sources. Instead, it generates thought and discussion on matters that it believes need attention.

Q. *What teeth does the Board have?*

A. This is another illustration of the interaction of control through the

***“Accountants are experiencing both the degree and the rapidity of change that Alvin Toffler describes so well in Future Shock. Critics both within and without the profession seem to feel that our control mechanisms have not been able to grow and adapt to all these changes.”***

private sector and the government. In essence, and greatly oversimplified, if a company violates the principles enunciated by the FASB, the AICPA and various state society rules of professional ethics preclude the CPA from granting that company an unqualified opinion. The SEC, and to a certain extent the various stock exchanges, have rules which require companies under their jurisdiction to have unqualified opinions from CPAs.

Q. *And what has the Board done?*

A. First, they listed the areas in which they believed research should be done, and identified the problems they believed need attention. Normally, on any given topic, they will issue a discussion memorandum. This will be followed by public hearings on the topic, and presumably will lead to some specific guideline or “Statement of Accounting Standard.”

Q. *What issues has the Board addressed itself to up to now?*

A. Keep in mind that the Board is only two years old. It was created in mid-1972 and its first pronouncement was issued in November, 1973 to be effective for 1973 corporate reports. This was in the area of foreign currency translation, but dealt only with disclosure matters, not with the underlying accounting principles. The first public hearing was on accounting for research and development costs, and was held in March, 1974. That was followed by a public hearing in April on reporting the effects of general price-level changes in financial statements. In other words, it was on the accounting for the effects of inflation.

Q. *Speaking of the accounting for inflation, Paul McCracken recently wrote in The Wall Street Journal that “the accounting profession has delayed inexcusably in facing up to the implications of a rising price level,” and he added that a study of the Machinery and Allied Products Institute found that the understatement of true economic costs by conventional accounting procedures in 1973 was about \$25 billion. Would you comment?*

A. Basically I would agree with the statement, though I might add that perhaps accountants have had too much confidence in the economists’ ability to keep inflation under control. A 2% or 3% annual rate of inflation did not seem to cause great disaster in the accounting world, but more recent experiences seem to have convinced accountants that it is critical that they finally come to some agreement on this issue. The problem has been complicated by the absence of any consistent guidelines. Those who wanted accounting to recognize the problems of inflation were divided between the replacement cost approach on the one hand, and the price level adjustment of historical costs on the other. Some accountants, with their great concern for objectivity, were afraid that price level adjustments were too subjective. This question is what the Standard Board’s hearing was all about. The basic question is whether reporting the effects of general price level changes should be required as supplemental information in financial statements. The Standards Board sought views as to whether financial information restated to reflect price-level changes is useful, and if so, whether the benefits outweigh the costs. Another question raised by the FASB was whether a price level reporting requirement, if adopted,

should apply to all business enterprises and to governmental and not-for-profit organizations.

Q. *What else is the Board concerned with?*

A. Another topic which is high on the Board’s agenda is foreign currency translation, and a public hearing will be held on that in June. The question here is how do you translate foreign holdings into dollars? Two devaluations of the dollar, and the new world of floating currencies have brought new problems in accounting and reporting. Some of these questions become even more complex through the interaction with the inflation factor we were just talking about. For example, do you translate the statement into dollars first and then adjust for U.S. inflation, or do you adjust for the inflation of the country you are dealing with and then translate into dollars? Which way you do it may make a great difference in results.

Q. *Since accountants work for very large corporations, isn’t there a desire to put things in an especially good light? Couldn’t there be a conflict of interest? In these circumstances, how can impartiality be preserved?*

A. It is an interesting facet of the accounting profession that the accountant works with and through clients but is responsible to investors and other third parties. This is rather different from most other professionals, who are usually responsible directly to the client. This can put the accountant in an anomalous position. For example, when a CPA tax man sits with a client across the table from a revenue agent, he is acting as an advocate for that client—but when he signs an audit certificate, he is acting in an independent capacity and not as an advocate.

Q. *How on earth can any one human being do both of these functions?*

A. This is an area of controversy in the profession. I think there is a good deal of protection in the fact that an auditor is desirous of establishing and maintaining his level of professionalism for *all* of his clients, and

thus would be very careful not to compromise his impartiality. We should keep in mind that even the very largest client still represents only a small percentage of the revenue of any of the large CPA firms. For example, a corporation of the size of, say, one of the Fortune 500 may be audited by a firm that has 70 or more offices in the U.S., perhaps another 30 to 50 offices abroad, and 400 to 500 partners. Thus, even a large corporation would only constitute a small part of such a firm's business.

*Q. Do you think an accounting firm should also do management consulting work?*

A. This is another area of controversy, and it has to do with the scope of the profession. In fact the American Institute of Certified Public Accountants has appointed a blue ribbon committee to examine and report on the scope of the profession which has grown so much in the past few years. I think we do need to set up machinery to assure the public that audit independence is not compromised by a firm's management consulting work.

*Q. How could audit independence be assured in such a case?*

A. It should be possible to separate management services departments so that there is a separation between, for example, the man who recommended that a computer system be adopted and the man who audits that system three months later.

*Q. But why not just separate them by not allowing accounting firms to do management consulting?*

A. I think if you did that you would be doing business a disservice. Often, the CPA's education and experience, plus the vast knowledge his firm has gained about the client's business, makes it the most logical consultant on many business questions.

*Q. What do you believe should be the scope of the profession?*

A. I believe the CPA should be allowed to practice in all those areas where the business community has found the expertise of the CPA helpful.

*Q. And what should the accountant not consider to be in his scope?*

A. My position is probably somewhat more restrictive than some of my friends in practice would like, but considerably less restrictive than some of my academic colleagues would recommend. Some of the larger CPA firms are reported to have engineers, actuaries, psychologists, and even medical doctors in their employ. While it may be logical—even desirable—for the CPA consultant occasionally to consult with persons in those other fields, I question the addition of those outside experts to the staff of the CPA firm. When an engagement is conducted predominantly by one of these non-CPAs, I think the firm is beyond the reasonable scope of public accounting.

***“Do you translate the statement into dollars first and then adjust for U.S. inflation, or do you adjust for the inflation of the country you are dealing with and then translate into dollars? Which way you do it may make a great difference in results.”***

*Q. Will accounting as a profession become increasingly more specialized?*

A. I believe so. In the not too distant future I think we will see some type of general examination instituted for entry into the accounting profession. Then there will be speciality examinations for qualifying in certain specialty areas. The first such special exams, I think, will be in the areas of income tax and management advisory services. The accounting and auditing specialist will be comparable, I think, to the general practitioner or the internist in medicine. As the accounting profession grows more complex, other specialities may develop, such as, for example, a speciality in international accounting.

*Q. What are the implications of the enlarging scope of the profession on education?*

There are two facets of education we need to consider. One is accounting as a tool for management. That is, the accounting knowledge that managers need in order to make them better managers. The other is accounting as a body of professional knowledge. There are at least three major divisions in this, as I see it: 1) to prepare professional CPAs for auditing and accounting 2) to prepare tax specialists and 3) to prepare management accountants and management consultants.

*Q. What are educators doing to accommodate to these changes?*

A. There is a great deal of thought being given to this right now in the profession. In late May, the American Accounting Association is sponsoring a symposium on the Future of Accounting Education, with 26 educators from various schools meeting to discuss this very important subject. I am looking forward to participating.

*Q. Will accounting education become increasingly more specialized?*

A. Yes, I believe it will. For example, take the tax area. The field of income tax has become increasingly complex in the past 20 years. The body of knowledge has grown tremendously and has become ever more inter-related with the business, economic, political and social aspects of our national and international communities. The field of tax practice has attained essentially a professional status in its own right.

*Q. And what about education for tax specialists?*

A. A number of new programs are being developed, and masters degrees in taxation are now available in some universities. We are proposing some new tax courses in the Graduate School of Business Administration MBA program to be offered on an experimental basis.

*Q. Why are changes needed in our tax courses?*

A. We presently have one introductory tax course in the MBA program  
*Continued on page 28*

# Changes and Forecasts

By Guy W. Trump

*Vice-President, Education*

*American Institute of Certified Public Accountants*

*Editor's Note:* Dr. Guy W. Trump, CPA, is vice president—education of the American Institute of Certified Public Accountants. During a recent trip to the Business School, he gave a talk in Hale auditorium, and answered questions from students. This article is excerpted from his talk. Dr. Trump joined the staff of the AICPA in 1960 after 18 years as a college educator. Before going to the AICPA, he was Dean of the Graduate School of Business Administration of Emory University in Atlanta, Ga. In his present post he coordinates the activities of the examinations division, which prepares and grades the national uniform CPA examination, and those of the professional development division, which conducts continuing education courses for members of the AICPA.

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In the 27 years from 1947 to 1974, we passed from a small and largely homogenous profession to a large profession, marked increasingly by specialization, and by practice in areas far beyond the traditional auditing and tax activities. In 1947, when the accounting profession in the United States was about 60 years old, the American Institute of CPAs had close to 9,000 members. This year, at the age of 87, we have 99,000 members, an eleven-fold increase in membership in 27 years. And the number of CPAs in the United States is significantly more than even this figure, because there are a number of individuals who are not members of the American

Institute of CPAs or of the State Society. In fact, we estimate that there are 150,000 CPAs in the United States.

Another obvious trend in the accounting profession is that the work of accountants is increasingly visible. When I came to the Institute eight years ago, there were still members who complained that our public relations activities didn't make their work visible to the public. Why, they asked, don't you do something to get us into the newspapers?

They don't say that anymore.

Along with this increasing visibility has come an era of increasing pressures and constraints, and they come from a variety of sources. Quite obviously the SEC is one source. We don't know quite yet the extent of the pressure, but there will certainly be pressures and constraints from the Financial Accounting Standards Board, the Cost Accounting Standards Board, and the Stock Exchanges. In addition there are powerful pressures and powerful constraints in the increasing awareness on the part of accountants of the legal liability that accompanies their professional work.

Marshall Armstrong, Chairman of the Financial Accounting Standards Board, recently pointed out the increase in SEC activity in influencing standards which affect the accounting profession. His figures give you some idea of how things are changing. He noted that throughout its history the Commission's output of accounting series releases had averaged about 3½ per year prior to July, 1972. However, in 1973, alone, the SEC

issued 17 releases! This has considerable significance for accountants. I don't intend to enter the debate as to whether or not the subject of the SEC releases was proper or improper, whether they are intruding into an area better left to the private sector, or what have you. I simply observe that there are increasing pressures upon practicing CPAs.

There's another pressure on CPAs in practice. This one I take some satisfaction in having had a hand in creating. I assisted a committee which concluded that in these days, with increasingly complex business activities and increasingly well educated business management, CPAs have an obligation to the public to keep their own professional skills at a high level. The committee therefore recommended that the Council of the American Institute of CPAs should encourage the states—more than encourage—*urge* the states, to require that CPAs seeking to reregister to obtain a new permit to practice, or in some way to validate their right to practice, should demonstrate that they have participated in formal continuing education. We proposed that they should demonstrate that they have participated to the extent of 120 hours in the preceding three years before this immediate registration. That is, forty hours per year—or one working week per year. This has proved to be a recommendation which came at the proper time. Within two years of the time the recommendation was made, twelve states had adopted such requirements, and



there are acts pending in three or four additional states at the moment. Recent indications, if one can believe the Wall Street Journal and similar publications, are that some of the other professions are beginning to think in these terms. There was a recent article having to do with the continuing education of physicians, and we've been approached by the American Bar Association. They would like to know what we turned up in our study, so they don't have to re-invent the wheel.

Now I would like to hazard some forecasts about what is going to happen to the accounting profession in the future.

I think we are going to see accounting practice become even more broad than it is today. There are those who say that the reason for licensing is the attest function. That giving opinions on financial statements is what practicing accountants ought to do, and that they ought not to do other things. This advice is not going to be observed. Accounting practice will become an even broader discipline than it is today. In fact, in talking to some people I find a reluctance even to call it accounting, because that conveys a certain kind of impression, encompassing a certain scope, which these individuals and I believe will be surpassed by this practice in the future. I believe that what should have happened long ago will one of these days come to pass. That is the recognition within the profession of accounting—whatever that “new accounting” may be—of specialization. We have it de facto today.

I visualize the time when we will recognize specialization, and I think we'll do it with a new series of designations and a new series of examinations. We will probably have an entry examination to the broad profession which will deal with topics of ethics, of responsibilities of the professional, how to conduct a professional engagement, etc. The CPA certificate will become, as it is in fact today, the mark of professional competence in accounting and auditing. But we will have other examinations leading to other

specialty designations, such as, for example, certified tax advisor as well as designations in the consulting area. These examinations, I think, will be patterned essentially after the medical profession, which has general exams to admit one to the practice of medicine, and then special board examinations.

It's probable that the inter-state nature of accounting practice will be recognized one of these days. I don't know whether it will come about initially through Congressional action, or because somebody makes a mistake and attracts a lot of attention, or how it will come about. But I think



*Dr. Guy W. Trump*

we're going to see Federal controls on the profession. I think we're going to see a Federal certificate, and that the whole area of professional ethics will come somehow under Federal supervision if not direct control.

One potential good thing might come from this. Generally I'm not in favor of Federal involvement, and have felt that the best government is the least government, but if we do come to the point of having a Federal certificate, we will at long last have uniform educational qualifications for admission to the profession. I would like to see this. That may be a hard way to accomplish it, but I'd like to see uniform educational qualifications. We currently have a situation, as you may or may not know, in which in some jurisdictions one needs only a

high school diploma to sit for the uniform CPA examination. Need I tell you that those with high school diplomas who sit for the CPA examination don't pass it?

This leads me to a point in which I am very much interested. One aspect of uniform educational standards is what precedes them; namely, the education of accountants. I think we will see within a *very* few years—perhaps five years—at least two major universities in the United States which have created schools of professional accounting. Notice I said schools of professional accounting and not professional schools of accounting, and that's no accident. I want to put the emphasis on the education for professional accounting rather than on some kind of organizational framework within a university. The latter isn't terribly important if we can have the former. Recently there was a symposium held on the campus of the University of Texas with about 95 participants. Professor Harold Arnett of your faculty was one of those in attendance. The purpose of the day's symposium was to discuss the possibilities of creating schools of professional accounting, and I suspect that symposium did more to advance the cause of professional schools than much that has been done heretofore.

I think we are almost certain to see in at least a few major institutions, a return of concern for the preparation of accounting professionals. Happily there are some schools that have never lost sight of this as an objective at a time when many other schools are taking the point of view that accounting is merely a tool for management decision makers. We are going to have schools of accounting with a professional emphasis, and the day may come when accountants complete an undergraduate program and then enter a professional school much as those who aspire for spots in the medical, dental or legal professions pursue their kind of education.

Now, if there's time, I'll take some questions from the students:

*Q. What about the reaction to setting up a school of professional*

*Continued on page 27*

An Essay on the Ross Collection

# "Mercury in the Head, and Lead in the Tail"

By Herbert F. Taggart  
*Professor Emeritus of Accounting*

*The Gentleman Accomptant: or, An Essay to Unfold the Mystery of Accompts*, published in London in 1714, provides a classic description of one who is likely to make a success of accounting:

... it must be one, that hath a Zeal or Warmth towards Exactness, and Justice in Accompts, that will bear the Fatigue of keeping Books regularly, which not done with Pleasure, will never be done tolerably well. The careless, lazy, and voluptuous must find somewhat else to do, and not sit to Accompts, which requires Mercury in the Head, and Lead in the Tail.

This vivid, and perhaps terrifying statement appears in one of the most interesting of some fifty items which were presented to the library of the Graduate School of Business Administration by Mr. Francis E. Ross at the time of his retirement from the Detroit office of Ernst & Ernst. Before joining that firm he had been on the faculty of the University of Michigan for sixteen years, beginning in 1920. As a charter member of the Business School faculty, he conducted the first class ever taught in the School. This achievement was due to the fact that his schedule included the only eight o'clock class offered in the fall of 1924. In addition to his university connection he was engaged in the practice of public accounting, having founded, with Professor William A. Paton, the firm of Paton and Ross in the early nineteen twenties. Collecting old books on accounting was his hobby for forty years or more, and our library was

most fortunate to be the object of his generosity. In pursuit of this avocation, Mr. Ross haunted old bookshops in this country and was in constant communication with bookshops abroad.

Study of any item in the Ross collection yields dividends of pleasure and food for thought. For example, the author of *The Gentleman Accomptant* had a very low opinion of the institution known as the

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*About the author:* Professor Taggart has known Francis Ross since 1919, when they both were undergraduates at the University of Michigan. He received his Ph.D. from the U-M in 1928, and has served as chief of the cost accounting unit for the National Recovery Administration, and as director of accounting of the Office of Price Administration. In 1942 he was president of the American Accounting Association and in 1948, he was a director of the National Association of Cost Accountants. He has been chairman of the Advisory Committee on Cost Justification, Federal Trade Commission, and a member of the Advisory Board of Contract Appeals of the Atomic Energy Commission. He is the author of the book, "Cost Justification," published by the Business School's Bureau of Business Research. Most recently, he is co-author with Professor C. N. Davisson of "Financial and Operating Characteristics of Automobile Dealers and the Franchise System" published by the Business School's Division of Research.

corporation. In a glossary of business terms he begins his definition of "Stocks and Stock-Jobbing" thus:

Stocks and Stock-Jobbing, a Mystery born in this Age. That which is in law called a Corporation, to take, and grant, is a Politick Essence, distinct from Human Nature, and contrived after a Popish Model, for no purpose but Cheating. For Corporate Acts, however Knavish, charge no literal Knave to make amends in his private Capacity, tho' his Head and Hands contrived, and acted the Cheat. For this Reason fraud hath ever been zealously in Love with a Corporate Capacity.

After explaining how the ownership of corporations is divided into shares, called stocks, the author pays his respects to brokers, "who are to Knaves as Pimps to Whores. And the whole Influence of this invisible Traffick, is secret Confederacy, and no Truth."

It is not possible to do justice to such a collection in a short article, but a sampling of a few items may suggest the riches available to the student who has the patience to do a little digging.

The oldest item is not a printed book, but a manuscript account book of the "Earll of Dumferling" which presents in great detail his financial position as of "Witsonday, Anno 1652." Charles Seton, the second Earl of Dumferling, was active in opposition to Charles I and had accompanied Charles II from the continent on his way to be crowned king of Scotland on Jan. 1, 1651. In gratitude, the second Charles made him a privy counselor. In addition to his military and political activities he was a man of very considerable business interests, as evidenced by this 322-year-old ledger. Reading the seventeenth century script is by no means easy, but a study reveals that the earl had incurred extremely heavy debts, many of which had been guaranteed by his friends. Apparently he was unable to meet his obligations, since the latter part of the book gives details of the debt assumed by the guarantors and the dates of their payments.

### George Washington's Accounts

The Ross collection includes several other manuscript account books, the most interesting for Americans being that of George Washington, who kept in his own handwriting detailed accounts of the expenditures and receipts arising out of his military service from June, 1775 to July 1, 1783. The Ross collection does not, of course, include the original, but instead a facsimile copy published in 1841 by the trustees of Washington's Manual Labour School and Male Orphan Asylum and sold for the benefit of that institution.

Washington obviously qualified as an accountant under the strict terms laid down by *The Gentleman Accountant*. His handwriting is good, his explanations are complete and meticulous, and his arithmetic is well-nigh perfect. His task was by no means easy. In addition to the exigencies of wartime travel and camp life, he had to translate several kinds of currency (including constantly depreciating "Continental") into what he designated as "lawful" money: pounds, shillings and pence. He had refused the offer by Congress of \$500 per month for his pay and expenses, and asked for expenses only. These accounts are the result. According to his reckoning, after expending in eight years £16,311-17-1 in the service of his country, he was left holding the bag for £1,972-9-4 which remained unreimbursed. The individual entries, with their explanations, constitute a thumbnail history of the Revolution.

Most of the books in the Ross collection are textbooks, like *The Gentleman Accountant*. The earliest of these is *Debtor and Creditor Made Easie*, by Stephen Monteaige, published in 1675. The Ross copy once belonged to Sir Godfrey Copley, whose autograph is inscribed at the front, together with his address, "at ye old Exchange," and the date of acquisition, November 1679. Sir Godfrey was commissioner of public accounts in 1701 and in 1704 became controller of accounts of the Army.

Most of these texts explain, in some detail, the advantages of keeping accounts by "Debtor and Creditor," as Monteaige says, or by double entry,

as we would put it. In order that the accounts may be complete, there must be an account for proprietorship, called "Stock." Only if this account is used will debits always equal credits, which is the greatest advantage of the double-entry system.

### Do Horses Depreciate?

The texts then proceed to illustrate this method by analysis of many types of transactions and presentation of the required journal entries and ledger accounts. Monteaige's illustrations are particularly ingenious and complete. One of his transactions will occasion surprise to anyone who thinks that depreciation is a modern concept. Among the assets of

Monteaige's hypothetical proprietor on April 10, 1675 were six horses valued at eight pounds each, or a total of 48 pounds. At the time of closing accounts and determining profit or loss for the year ended April 9, 1676, we find a journal entry as follows: "Losse and Gain is debtor to Account of Horses for their use and impairing £6." This entry is posted to the debit side of Losse and Gain with the explanation "To Horses, impaired by a years use" and to the credit side of Horses with the explanation "By Loss and Gain, lost by their use." The author does not comment on this item, thus suggesting that it would be readily understood by his readers. The word depreciation presumably

<i>Horses</i>		<i>Creditor.</i>	
1676. Apr. 9.	By Loss and Gain, lost by their use—	12	6
	By ballance resting val. at 7 l. p <sup>s</sup> .-- 6 --	40	42
			48

N 2

<i>Losse and Gain</i>		<i>Debtor</i>	
1675. Apr. 17.	To Rabbets for one being dead --	3	8
26.	To Cash wanting --	2	6 8
June 15.	To Pease lost in Measure --	17	10
O <sup>b</sup> . 1.	To Raifins lost on that Account --	8	28 14 2
20.	To <i>Jos. Crane</i> and Comp <sup>a</sup> . abated --	17	1 6
Nov. 20.	To Account of Insurance lost --	21	67 10
25.	To <i>John Govers</i> Bankrupt --	9	14
30.	To Cash, Postage of Letters, Porters &c. --	19	1 18
Dec. 20.	To <i>Jacob Vandonck</i> , Provision, &c. --	9	1 9 3
22.	To <i>John Dumoulin</i> , Provision, &c. --	10	13 6
1676. Apr. 9.	To Horses, impaired by a years use --	4	6
	To Expences the year past --	13	87 7 6
	To Apparel in the said time --	13	21 11 8
	To Husbandry of the Farm & Lands, --	14	169 7
	To M <sup>ris</sup> . <i>Larkin</i> an Abatement, --	33	2
	To it self carried forward, --	39	1122 13 11
			1521 17 7

had not been invented, but there is the phenomenon routinely recognized almost three centuries ago.

The most delightful title ever given to a bookkeeping text is *Advice to the Women and Maidens of London*, which the title page says is "By one of that Sex," but which must also be ascribed to Montage. The title-page blurb describes the book as:

Shewing, that instead of their usual Pastime; and education in Needle-work, Lace, and Point-making, it were far more Necessary and Profitable to apply themselves to the right Understanding and Practice of the method of keeping books of account: whereby, either single, or married, they may know their Estates, carry on their Trades, and avoid the Danger of a helpless and forlorn Condition, incident to Widows.

This book was printed in 1678 by the same printer and sold by the same bookseller as Montage's *Debtor and Creditor Made Easie*. *Advice* contains only thirty-six pages, and the reader who feels the need of a more thorough treatment is referred to Montage's book, "whence," says the presumably female author, "I derive all my stock of Learning in Accounts." *Advice* shows how to keep household accounts, with such items as Flesh, Fish, Drink, Fire and Candle, Physick, etc. It also illustrates bookkeeping for a small shopkeeper selling gloves, hoods, "linnen," and something called Alamode, which was the material from which hoods were made. The styles of the journal entries and of the accounts are identical with those in the Montage book. Oddly enough, however, Montage spells it "Leidger," while the author of *Advice* calls it "Leiger."

#### Jones vs. the "Italian Method"

The first accounting book printed in the United States appeared in 1796. It was *Jones's English System of Book-keeping*, which had been published simultaneously in England, where it received wide notice and created much controversy. Edward T. Jones, of Bristol, England, was convinced that he had invented a greatly simplified and foolproof method of bookkeeping which rendered all

previous methods obsolete, and especially the "Italian Method," which, he said, "ought to be totally ABOLISHED." Since substantially all other writers on accounting had accorded the "Italian Method," or double entry, almost the reverence due holy writ, it is not surprising that Jones's brash assault stirred adverse comment. No less a person than James Mill, the philosopher father of John Stuart Mill, thought the matter of sufficient importance to publish a rebuttal to which he gave the following title:

An Examination of Jones' English System of Bookkeeping in which the insufficiency of that mode of Keeping Accounts is clearly demonstrated, and the superiority of the Italian method fully established.

Mill was 23 years old when he wrote this, and a graduate student at Edinburgh University.

Another most valuable item in the Ross collection is an accounting classic called *A History of Accounting and Accountants*, by Richard Brown, a chartered accountant of Scotland. This book was published in Edinburgh in 1905 in celebration of the fiftieth anniversary of the founding of the Scottish Societies of Accountants. The copy in the Ross collection is number 32 in a deluxe edition of 250 copies, and is autographed by the author.

Of particular interest is the fact that Brown devotes nearly ten pages to Jones's book. He introduces the subject with the following rather remarkable statement. "The eighteenth century is not marked by improvements in the art of book-keeping, but at its close there appeared a work which is the most widely known book on the subject in the English language." This should not be taken to mean that Brown admired Jones's book, however; quite the contrary. His appraisal is succinctly stated: "Had Jones left his invention to take its chance on its merits, his name would now be unknown."

The flavor of Jones's book is easily gained from the title page, which reads in full as follows:

Jones's English System of Book-

keeping, by Single or Double Entry, in which it is Impossible for an Error of the most trifling Amount to be passed unnoticed; Calculated Effectually to Prevent the Evils attendant on the Methods so long Established.

A good deal of the text is devoted to a bristling defense of the Jones system and warnings against reliance on conventional double entry, in the use of which "nothing is more easy than to make a set of Books wear the appearance of correctness, which at the same time is *full of errors*, or of *false entries*, made on purpose to deceive!"

According to Brown, Jones was a far better business man and promoter than accountant. Before the book's publication he had issued a prospectus describing the remarkable results to be achieved by following his precepts. He had also secured a patent for his scheme, and proposed to charge a royalty of a guinea and a half for its use. However, those who subscribed in advance could obtain both a copy of his book and the privilege of using the Jones system for the bargain price of one guinea only. According to Brown, "The idea was a glorious success, and the happy inventor secured thousands upon thousands of subscriptions." Among the sponsors were the governor of the Bank of England and Robert Peel, a member of Parliament and father of Sir Robert Peel who later became Prime Minister of England.

Jones evidently realized that his heresy would subject him to attack, since he takes pains to provide anticipatory *ad hominem* rebuttal. He lauds his sponsors as "the *first commercial characters* that England has to boast of." By their sanction of the Jones method they were "crushing . . . the *unmanly reflections of illiberal men*, whose conduct implies they had a *sinister end in view* . . . The intention, therefore, of the man who opposes it, *ought to be suspected*, and his conduct undergo a *minute investigation* by those with whom he is connected."

Brown suggests that Jones's ploy illustrates the fact that "success can

*Continued on page 26*



# The Paton Accounting Center

by Dean Floyd A. Bond

The beautiful drawing above is the Architect's rendering of the next addition to the Business School's physical plant. This structure will commemorate the name of William A. Paton, Professor Emeritus of Accounting, who has done so much to establish the University of Michigan's preeminence in accounting education and research.

A distinctive feature of the building will be the Paton Archives/Reading Room which will contain the writings, pictures, correspondence, and other valued possessions accumulated by Professor Paton throughout his lifetime.

In addition to the Archives, the structure will house four tiered discussion rooms with circular seating, two excellent seminar rooms, an ideal size conference room, sixteen research and publication offices, eighteen dual Ph.D. offices for thirty-six doctoral candidates, a small lounge area, main-level offices for the Center Director and his secretary, an elevator, storage facilities, and men's and women's restrooms on all three levels.

Built of brick with tinted windows, the Center will be a companion structure to the Assembly Hall on the left. Estimated cost is \$1,200,000. Two hundred thousand in cash contributions and an equal amount in pledges have been obtained by Professor Walter G. Kell with the able assistance of his accounting friends and colleagues over the last five years.

A financial campaign by the School to finance the remaining \$800,000 was approved recently by the Executive Officers and Regents of the University. The Regents also recently authorized the employment of an architectural firm to make working drawings and specifications. The same firm that drew the plans for the Assembly Hall, O'Dell Hewlett & Luckenbach of Birmingham, Michigan, has been retained and is already at work. Complete plans will be ready by mid-summer.

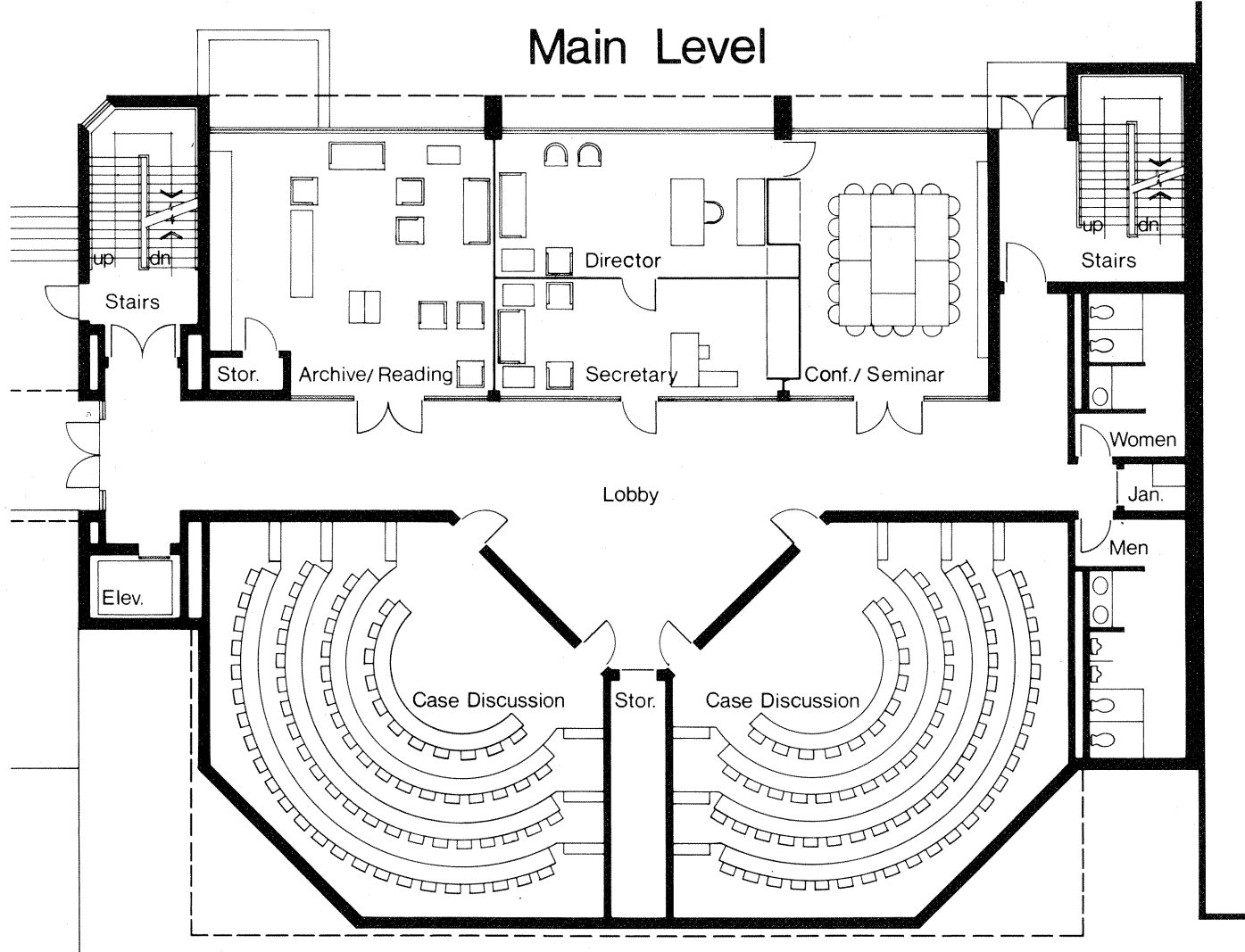
When will construction begin? As soon as the Regents believe contributions are sufficient to justify breaking ground. This is why gifts during the next few weeks are so critical. It would be ideal if sufficient

funds could be raised to justify putting the project out for bids soon after the plans are completed. It would be wonderful if this tribute to Professor Paton and Accounting at the University of Michigan could be constructed in time for Professor Paton to have the satisfaction of seeing the structure in place and the enjoyment of using the facility personally.

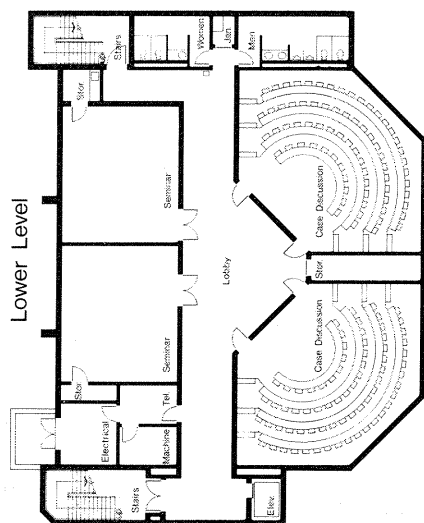
To this end, contributions would be especially welcome at this time. For those who can afford a named gift, with appropriate identification, the following are suggested: Conference Room—\$25,000; Seminar Room—\$50,000; Tiered Discussion Room—\$125,000.

All contributions are tax deductible and should be made payable to The University of Michigan Business School. All will be acknowledged with an official receipt, and all will be sincerely appreciated.

As a lifelong friend of Professor Paton, and because of my deep interest in accounting education and research, I am pleased to head this financial campaign and serve as chairman of the building committee.



## The First Two Levels



The first two levels of the Paton Center will be used for instruction throughout all 12 months of the year.

During the fall and winter terms, primary use will be for credit instruction. During the spring and summer terms, the heavy use will be for continuing education of those who already hold positions in business and the profession.

When not in use for instruction in accounting, these facilities will be used for instruction in other fields of Business Administration, both credit instruction and advanced management education. The building will be fully utilized both daily and all months of the year.

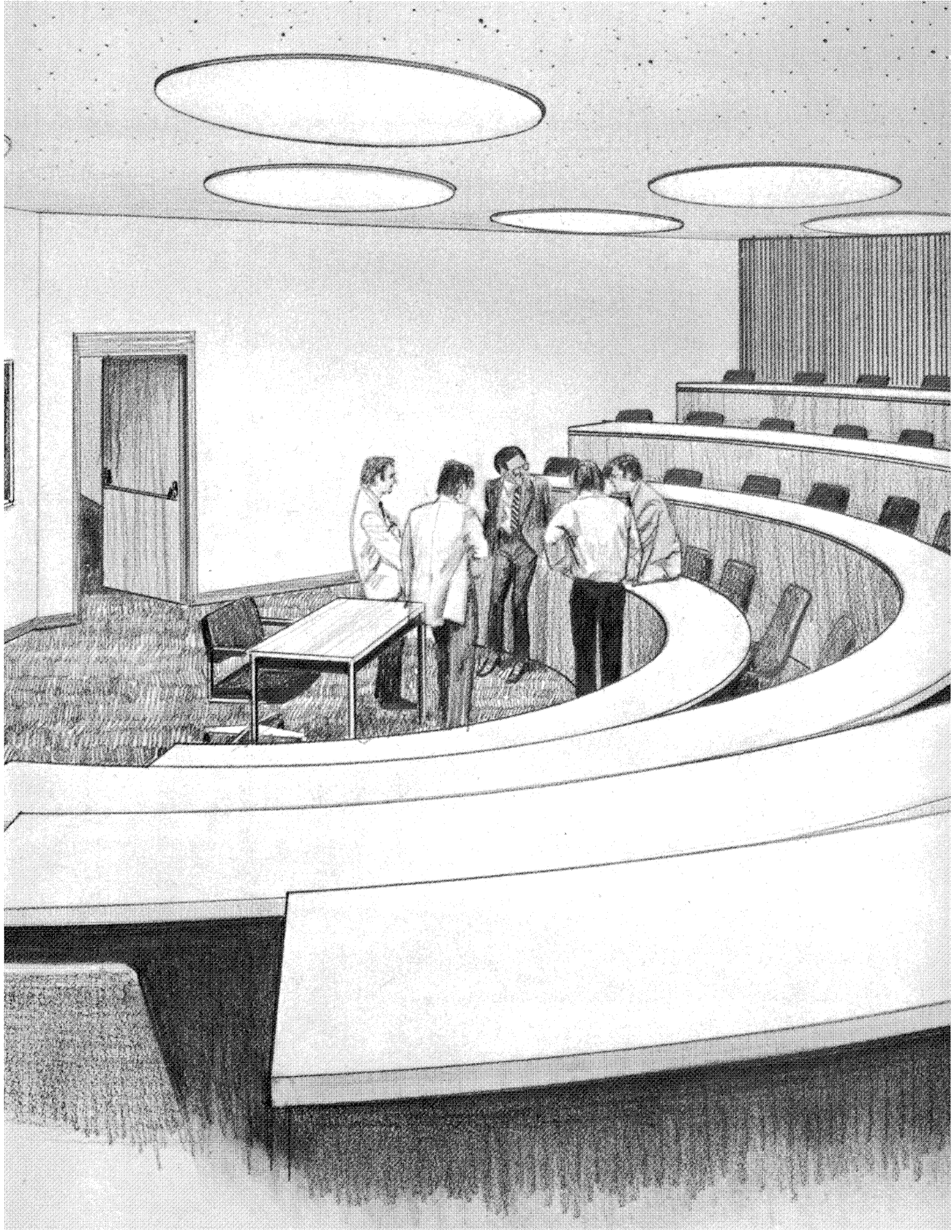
Special emphasis will be put on advanced accounting seminars and conferences designed to advance the

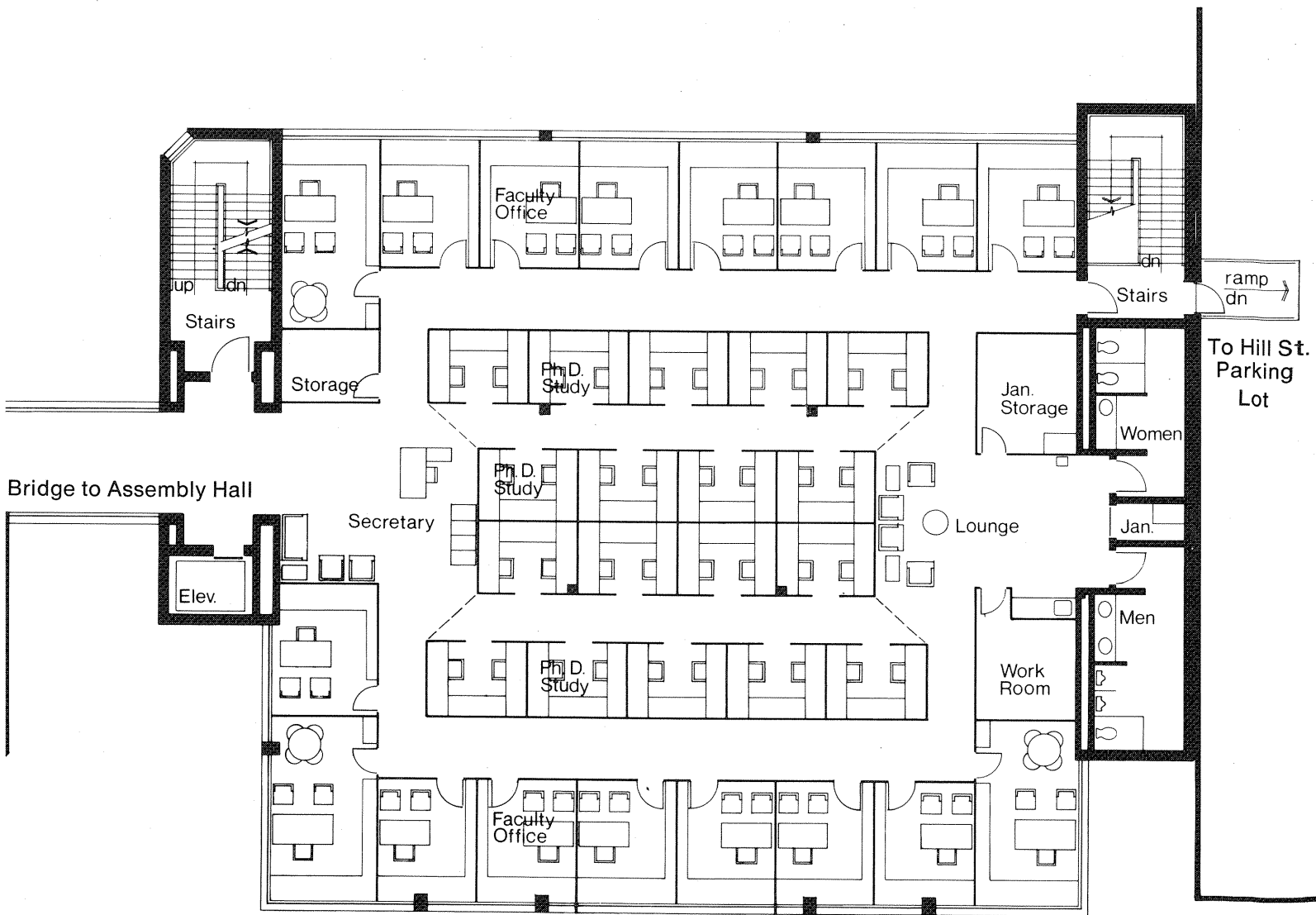
accounting profession. Distinguished members of the profession will be brought to Ann Arbor to lecture as well as attend meetings and research seminars.

The drawing at left shows the first level with its two discussion rooms and two seminar rooms.

The drawing above shows the main level with the Paton Archives, Director's Suite, Conference Room, and two discussion rooms.

Pictured on the right is one of the tiered discussion rooms. The unique advantages of this type room are that every student can comfortably see and hear the individual who is speaking regardless of his location, every student is very close to the instructor, and each seat swivels for comfort and ease of concentration on the analysis of the topic under consideration.





# The Upper Level

The top level of the structure will be used for research and publication.

Pictured above are the research offices for faculty and distinguished visitors along with the facilities for doctoral candidates.

This level is connected with the Assembly Hall on the left and the parking structure on the right.

Research scholars and doctoral candidates will be able to visit the Business Administration Library without going outside of the building,

and without leaving the second level. This will be a decided advantage during the winter months. It will also be a time-saving convenience at all times of the year.

Research activity will be on a year-around basis. Doctoral candidates will also be working around the calendar.

The close working relation between distinguished scholars and doctoral candidates made possible by this new facility will be mutually rewarding and tremendously stimulating.



# JOHN CALDWELL COLT

1810-1842

*Accountant, Author,  
Teacher, Lecturer,  
Dabbler in  
Engineering, Law,  
Farming and Trade,  
and Central Figure  
in a Sensational  
New York tragedy.*

By Francis E. Ross

Once, while in Washington nearly forty years ago, I went to Loudermilk's Book Store for old accounting books, and they sent me to the upper floor to browse through the second-hand volumes. In the Business Section, I found an 1839 edition of "Double Entry Bookkeeping" by John C. Colt, of whom I had no prior knowledge. Then, on the way to the stairs, I passed through the History Section and noticed a book with the title "Remarkable Trials of All Countries," by Thomas Dunphy, 1867. The price was low and I bought it without further examination.

That evening, on the train, I took the two books from my bag and spent some time looking through Colt's textbook. Then I opened the book of Trials at random, and the name John C. Colt appeared across the top of the page, as it also did through a total of eighty-five pages. This chapter gave a full report of Colt's trial for killing his printer, Samuel Adams, in New York in 1841.

This coincidence got me interested in the life of Colt, and I later obtained a book entitled *Authentic Life of John C. Colt* by S. N. Dickinson (Boston, 1842). Reading this book, I was struck by the many different experiences Colt had had by the time he was twenty-four. Because I believe it gives such an interesting account of the life of a young man more than 100 years ago, I am including details of Colt's early life, as well as in-

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*About the author:* Francis E. Ross joined the faculty of the University of Michigan economics department in 1920, and in 1924 became a faculty member at the Graduate School of Business Administration. In 1936, he joined the Detroit office of Ernst & Ernst, where he remained until his retirement. One of his hobbies over many years has been the collection of old books on accounting and it was during a search for interesting accounting books that he ran across the story of John C. Colt. For more on his collection of accounting books, see "Mercury in the Head and Lead in the Tail" by Herbert F. Taggart (page 10).

formation about his textbook and his trial.

John Caldwell Colt was born in Hartford, Connecticut, in 1810, the third child and oldest son among eight children. His brother Samuel was the inventor of the Colt revolver. When he was nine, John was sent to a private school where the main emphasis was placed on Greek and Latin. He evidently hated the language courses and made little effort to excel in his studies, though he was looked to as the leader in all outdoor games and sports. His mother died when he was eleven, and afterward, perhaps because of his lack of interest in school, he was sent for a year to his uncle's farm in Vermont. His uncle was both surprised and pleased with his conduct and wrote to John's father "I'll tell you what, John is made of good stuff and you need not have any uneasiness about him. He is as kind hearted a fellow as ever was, and take him all round, I never saw a better boy in all my life."

When, after a year with his uncle, John returned home and to school, he applied himself so well that within a year he had overtaken his fellow students. He wanted to go to West Point or a private military academy, but his parents (there now being a stepmother) refused to consider his aspirations, and at fourteen sent him to work in the store of the Union Manufacturing Company in a sort of apprentice program that was expected to continue for seven years. After a year of that job, during which time he had been promoted to assistant bookkeeper, he left suddenly without notice and returned home. His family tried to persuade him to return to the clerical job but he refused. Both he and his older sister, Sarah Ann, were made to understand that they were burdens on the family finances and that they should become self-supporting. Accordingly, when he was seventeen he left home, and shortly afterward she followed his example.

## Building a Canal

John went to Baltimore and soon was teaching mathematics in a private school. While there, he attracted the attention of a canal builder who invited him to visit the site of a

proposed deep cut between Baltimore and Washington. John amused himself by computing the quantity of earth and rock that would have to be removed, and prepared an estimate of the amount that the contractor should receive for the entire job. The contractor was so impressed with John's enterprise and ability with figures that he persuaded him to give up teaching and at a much higher salary, take charge of the construction of a canal to be built along the Susquehanna river near Wilkesbarre. John was then eighteen years old. The project was completed successfully in seven months, and John resolved to use his savings to continue his education, even though the contractor wanted him to stay on at an increased salary.

Shortly after John had enrolled in an academy, he received the appalling news that Sarah Ann had committed suicide. He was desolate and filled with bitterness toward his father and stepmother. Abandoning school, he enlisted in the Marines, but while the Constitution (on which he was to sail) was being fitted out, he developed a high fever and was hospitalized. By the time he recovered, the ship had sailed. As a land-based Marine serving as a clerk he lost all interest in the Service, and managed to get a release.

During the next two years he worked as a law clerk and attended the University of Vermont, but became ill with bleeding in his lungs and was advised to find an outdoor occupation. He was offered a partnership in a trading expedition to the Great Lakes and accepted it. Colt was now twenty-one.

### Colt the Entrepreneur

After eighteen months in the open, his health was greatly improved. He had saved some money, and in 1832 he purchased government land at the head of Gooden's Lake on the Raisin River in Michigan territory. There he built a log cabin. All went well until late spring when he and the other settlers along the river were laid low by malaria. The doctors told him his only hope of recovery was to move to a different climate. Greatly discouraged, he sold his land and

went by steamboat to New Orleans. There, before Mardi Gras, he leased a vacant hall for six days, operated it as a Carnival dance hall, and wound up with a profit of thirteen hundred dollars.

For several years Colt had been a capable and enthusiastic student of mathematics and his numerous and varied business ventures had impressed him with the importance of adequate business records. Now in 1834 at the age of twenty-four, these considerations moved him to a serious study of bookkeeping texts and business procedures. He became so engrossed with these subjects that they continued as his principal interest for the remaining eight years of his life. With the arrival of hot weather in New Orleans, Colt moved north to Louisville where he taught bookkeeping to defray expenses and began to accumulate material for a new bookkeeping text. The next three years in general followed this same pattern, south to New Orleans each winter for trade and speculation and north each summer to Louisville and Cincinnati for teaching, lecturing and writing.

The first manuscript for his text was so voluminous that it would have produced a book of thirteen hundred pages but it was reduced to reasonable proportions and was published in Cincinnati in 1838. That his book was well received is shown by the fact that, within three years, eight editions were issued and it was being used in more than two hundred schools throughout the country.

### Colt's Accounting Text

Entitled "The Italian Science of Double Entry Bookkeeping," the text was arranged in three sections: Instructions, Accounting and Business Forms, and Public Lectures. The bookkeeping instructions generally followed those of previous authors for more than three hundred years by presenting illustrative transactions, journalized and posted to ledger accounts. Rules or so called principles were stated, such as "For every debit there must be an equal credit," but none of the authors ever explained why this was necessary and also inevitable. A further period of sixty or seventy years passed before ac-

counting authors pointed out that the explanation of double entry and the resulting balance sheet was simply recognition of the algebraic equality between any specific group of assets and the rights or equities of creditors and investors in those same assets. Charles Ezra Sprague, born in 1842, a professor at New York University, probably was the first to present a rational explanation of bookkeeping in his "Philosophy of Accounts," 1907, of which a reprint was issued only last year by Scholar's Book Company of Lawrence, Kansas.

### No Discussion of Depreciation

As was the case in other bookkeeping texts, Colt did not discuss depreciation and there were no references to periodic adjusting and closing entries, except for recording merchandise inventories. However, he was one of the first to question the utility of some stilted bookkeeping practices such as the meaningless use of "to" and "by" in journal entries, which he suggested should be omitted. He was rather scornful of other available texts except one published by Thomas H. Goddard, a practicing accountant whom he considered a master in his field. In 1832 Goddard had been killed in the collapse of the large store and warehouse building at Fulton and Gliff streets, New York, owned by Phelps and Peck, predecessor of Phelps, Dodge and Company.

The section on business forms was well illustrated with special journals, payrolls and other forms that would have been useful to practicing accountants as well as students. He pointed out the time saving advantages of using separate journal columns to permit the posting of account totals and added "The plan of appropriating columns upon the Journal for the principal accounts which your business calls into the most common use, may be carried to any extent." One interesting form is a six column work sheet for Trial Balance, Profit and Loss, and Balance Sheet, to be used for sorting out the account balances and preparing financial statements after all entries had been posted. With the addition of columns for Adjusting Entries and

an Adjusted Trial Balance, this would become the present day auditors' ten column work sheet.

Lecturing was a source of income for Colt, and his biographer states that his abilities as a lecturer "were warmly praised in the Boston news journals' reviews." Occasionally, he let himself go in flights of oratory that probably gained him greater attention from the audience than his discussions of accounting techniques. His aim was to promote the study of double entry bookkeeping as well as to increase the sales of his textbook, and he scolded those teachers who resisted the inclusion of bookkeeping courses in the curricula of high schools and colleges. In general, his presentation was well organized but at times repetitious and often verbose.

### Opening a Bookstore

Impressed by the success of his bookkeeping text, Colt entered into a partnership with the publisher in Cincinnati, but evidently without much investigation. Their first publication was an illustrated book entitled "An Inquiry into the Origin of the Antiquities of America" by John Delafield, which failed to sell and soon the partnership was in financial difficulties. Colt withdrew from the firm, his proceeds some \$4,000 of receivables and seven hundred copies of the Antiquities. In April, 1839, believing that the large Eastern cities would provide better markets, he took his stock of Antiquities and other books to New York, then a city of 300,000. A year later he opened a bookstore in Philadelphia, at the corner of Fifth and Minor streets but it was not successful and after a few months he returned to New York.

While in Philadelphia, he met a young woman named Caroline Henshaw who early in 1841 joined him in New York, where they lived in a rooming and boarding house.

During the summer of 1841 Colt was engaged in the preparation and publication of a new edition of his text. The printer was named Samuel Adams and Colt was unhappy because Adams had failed to deliver the books in time for trade sales held in New York and Philadelphia. Also there

was a slight disagreement as to the amount owed by Colt, Adams claiming fifteen dollars more than Colt would agree to pay. Although Adams held Colt's stereotype plates and unbound books worth several hundreds of dollars, he evidently felt that Colt was withholding payment unreasonably and called at Colt's office at the corner of Chambers Street and Broadway. This second floor office also served as a shipping room and contained unsold books, a table, at least one large wooden packing box and carpenter tools.



JOHN C. COLT.

Adams entered Colt's office in midafternoon on Friday, September 17, 1841 and was not seen alive afterward. The disagreements between the two men resulted in a bitter argument, blows were struck and a violent struggle ensued. Colt stated that he was being choked when he grabbed a hatchet from the table and struck Adams twice on the head. Adams fell to the floor and died immediately. Colt washed up the blood that was spattered about and remained in the office until evening, trying to decide what to do, then he went out and walked the streets and made one attempt to communicate with his brother Samuel. Finally, he resolved to conceal the killing and returned to the office. His plan was to force the body into the

large packing box and dispatch it by ship, via New Orleans, to an address in St. Louis. Part of this plan was carried out that evening, then he went home very late and returned to the office early the next morning. He then accompanied a drayman to the steamer Kalamazoo, saw the box placed in the hold, and obtained a bill of lading which he promptly destroyed.

### The Arrest of Colt

A public notice, reporting Adam's disappearance, was published on Tuesday the twenty-first, and the authorities began an investigation. Adams's employees told of his intention of going to Colt's office, suspicious noises in Colt's office were reported by other tenants, and the janitor told of the box being taken down the stairs on the following morning. On the strength of these and other affidavits, the Mayor, Robert H. Morris and other officials went to Colt's office on September 24th and arrested him. He was charged with suspicion of murder and confined in the City Prison known as The Egyptian Tombs or simply The Tombs. On the following day the box with Adams's body was located on the ship which was still in the harbor.

Shortly thereafter a son was born to Colt and Caroline Henshaw. Marriage was considered at that time but his lawyers advised delay to make possible her appearance, if needed, as a witness for the defense, which if she were his wife, would not be possible.

### A Sensational Trial

Colt's trial for murder began in Criminal Court in New York City Hall on January 18, 1842. Colt pleaded self defense and although there was no evidence that the killing was planned or premeditated, the sensational attempt at concealment had so aroused the populace that a crowd of thousands jammed the streets around the City Hall and there were many threats of lynching, if the death penalty was not imposed. The jury was aware of the public reaction and of course the prosecution did

*Continued on page 27*

# Among Ourselves

*An informal collection of items, including news of the faculty, of alumni, and of the school, and assorted other information, opinion or comment that we think will interest you.*

## **Associates Seminar Held On Planning Corporate Strategy**

"Planning Corporate Strategy in a Changing Environment" was the title of the Associates Seminar held April 1 and 2 by the Graduate School of Business Administration. The seminar, which was developed especially for the companies which are members of the Business School Associates, began with a reception and dinner. After dinner, the group heard William K. Hall, associate professor of statistics, discuss "Planning Corporate Strategy." They then broke up into discussion groups.

The next day, the group considered "Resource Constraints and Corporate Strategy" and heard William J. Wroblewski, associate professor of statistics, discuss "Forecasting Techniques and Formulation of Corporate Strategy." Then Reuben Gutoff, senior vice-president of Corporate Strategic Planning for General Electric Company talked on "Strategic Business Units and Corporate Strategy Formulation."

After lunch, David C. D. Rogers, professor of business administration, led a session entitled "Technological Innovation and Corporate Strategy" and LaRue T. Hosmer, associate professor of business administration, led a panel discussion which summed up the conclusions of the sessions.

The Associates Program was launched by Dean Floyd A. Bond in 1971 to promote the mutual interests of the Business School and the business community.



*Reuben Gutoff*

## **Dr. Alfred Edwards Appointed Director of Division of Research**

Dr. Alfred L. Edwards is the newly appointed director of the Division of Research of the Graduate School of Business Administration. His appointment begins July 1. Dr. Edwards is now serving as special assistant in the U.S. Consumer Product Safety Commission in Washington, D.C.

Dr. Edwards, a U-M graduate, received a Danforth Faculty Fellowship from the Danforth Foundation in 1958, a Post Doctoral Fellowship from the U-M in 1960 and a Ford Foundation Faculty Fellowship in 1963. He was deputy assistant secretary in the U.S. Department of Agriculture from 1963 to 1973. Before that he taught at Michigan State University for four years and served as economic adviser at the University of Nigeria for one year.

A native of Key West, Fla., he received his bachelor's degree from Livingstone College in North Carolina, a master's degree from the U-M and the Ph.D degree from the State University of Iowa. In 1968 he was given an honorary degree by Livingstone College.

## **S. S. Kresge Chairman Receives Business Leadership Award**

Harry Cunningham, honorary chairman of the board of S. S. Kresge Company, and chairman of its executive and finance committees, received the 1974 Business Leadership Award March 15 at a ceremony in Hale Auditorium of the new Assembly Hall. The award was presented by two leaders of the Student Council, President Charles Huebner and Vice-President James Machin. Professor Emeritus Morgan Collins, a member of the Kresge Board, presided over the meeting. James D. Scott, Sebastian S. Kresge Professor of Marketing, introduced Mr. Cunningham.

The award, which consists of a bronze medallion and a scroll, is made annually to a prominent businessman who has shown "an understanding of the responsibility of business to society and an interest in business education." The recipient is chosen by a joint student-faculty committee of the business school.

In discussing the award, Dean Floyd A. Bond noted, "The company prospered under Cunningham's fine leadership. In 1962, when the first K Mart department store was opened, sales were \$450 million. In 1973 they were \$4.6 billion. This ten-fold increase in one decade is miraculous considering the size of the base at the beginning of the decade."

Cunningham joined S. S. Kresge in 1928 as a management trainee, and progressed through positions as store manager, superintendent of stores, assistant sales director, sales director, and general vice-president. He was elected to the board of directors in 1956, was named president and chief executive officer in 1959, chairman of the board and president in 1967, chairman of the board and chief executive officer in 1970 and chairman of the executive and finance committees in 1972. He is a director of S. S. Kresge Co., Ltd. of Canada, K Mart (Australia) Limited, The Bendix Corporation, National Bank of Detroit, Warner-Lambert Co., Burroughs Corporation and National Steel Corporation.



*Harry Cunningham*

## **Assistance to NSF Project on Productivity Research Provided by GSBA and IST**

Close cooperation among the National Science Foundation, industry and the University of Michigan is part of the National Science Foundation's new productivity research program on the specific needs of American industry.

At Michigan, the Graduate School of Business Administration and the Industrial Development Division of the Institute of Science and Technology, are coordinating the assistance to NSF. The College of Engineering and the Institute for Social Research are contributing research ideas concerning productivity problems.

Early in February, the University of Michigan conducted a closed workshop for the National Science Foundation to solicit from industrial leaders an assessment of research required to enhance industrial productivity. Professor Paul W. McCracken of the Graduate School of Business Administration was the workshop chairman. A major objective of the workshop was to assess productivity problems from the standpoint of their researchability.

Twelve of the nation's leading industrialists evaluated the productivity research suggestions and made recommendations to NSF for priorities on future research efforts. Members of the academic panel participating with the industrialists included Alfred W. Swinyard, professor of business administration and associate dean of the Business School and Dallas Jones, professor of industrial relations, as well as faculty from Harvard Business School, Fordham University and Michigan State University. More than 50 different productivity related problems were suggested as researchable and appropriate for NSF attention.

The project is exploring productivity problems in six major industries—automotive, iron and steel, machine tools, electrical machinery, household appliances, and food processing. Productivity in this context goes beyond manufacturing efficiency to a systems approach to the problems of each industry, including materials and supplies, transportation and distribution, labor and technology, and the systems analysis of these component costs.

"In selecting a coordinating institution for productivity exploration with industry, NSF contacted several of the nation's leading universities," said project director Donald N. Smith, director of the Industrial Development Division of the Institute of Science and Technology. "Michigan's history of working closely with industry and its team proposal were key factors in winning the assignment."

## **IBM Funded Computer Workshop in GPSS Modeling to be Held**

Business school faculty members who teach a computer simulation course in a business school curriculum at least once per academic year will be students at a two week program entitled "Simulation Using GPSS" to be held August 5-16 in Ann Arbor. The course, which is sponsored by the University of Michigan Graduate

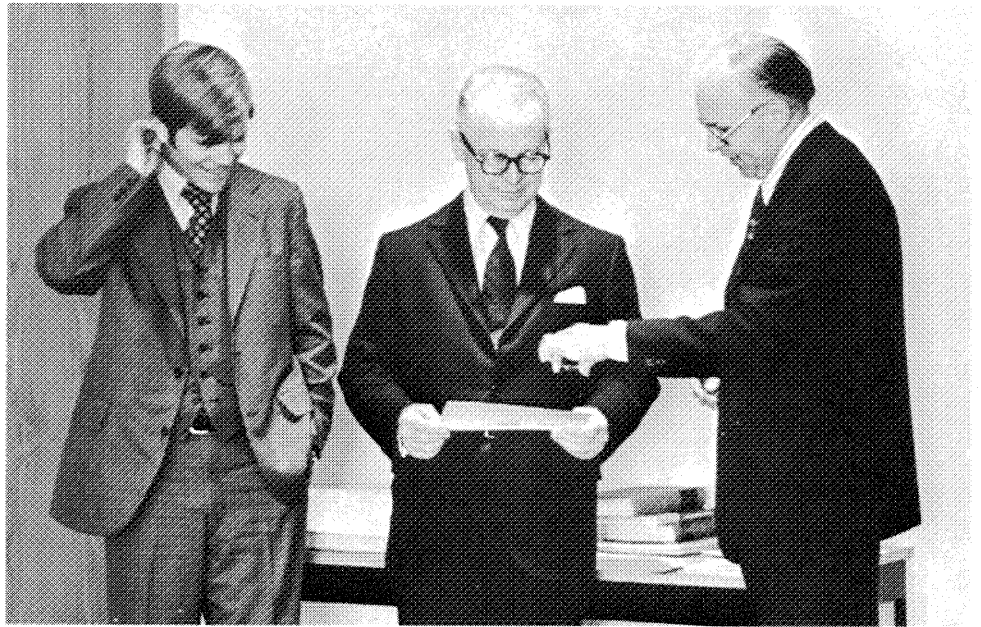
School of Business Administration, is being funded by a grant from IBM, and has a limited enrollment of 25 participants.

As a simulation programming language, GPSS contains special features for reproducing the dynamic behavior of systems which operate in time, and in which changes of state occur at discrete points in time. GPSS is an excellent medium through which to teach and learn many concepts of discrete-event simulation, in highly pragmatic fashion.

The primary seminar objective is to bring participants to the point of active mastery of GPSS. The seminar will introduce fundamental concepts of discrete-event simulation, describe their implementation in GPSS, illustrate their application through a series of 27 GPSS case studies, and provide a series of assigned problems for participants to use in testing their understanding of the material.

A secondary seminar objective is to provide participants with textual materials, documented GPSS programs, and exercise sets with which they can later introduce their own students to GPSS modeling. Each seminar participant may also be encouraged to produce one documented GPSS application of his or her own. The seminar will consist of lectures and computer workshops. During the workshops, participants will gain experience with GPSS by building models for some six assigned problems.

Participants in the program, which is directed by Thomas J. Schriber, professor of management science, were chosen from applications sent in by member schools of the American Assembly of Collegiate Schools of Business. Each school could nominate one faculty member, and the final 25 participants were chosen from that group.



*Donald C. Cook (center), chairman of the board, American Electric Power Company, was made an honorary member of the Michigan Chapter of Beta Gamma Sigma in an informal ceremony at the Business School this spring. Awarding the membership certificate to Mr. Cook is James F. Filgas, director of student services and associate professor of business administration who is president of the Michigan chapter. William K. Hall, associate professor of statistics and chapter secretary, is on the left. During the ceremony, 70 students became members of the business honorary fraternity. After the presentation, Mr. Cook spoke briefly to the students.*

### **DOR Publishes Books on Franchising and the Economics of Education**

The first publication to result from the Division of Research's ongoing study of competitiveness in major industries is *Two Studies in Automobile Franchising* which explores the issues involved in the question "How well does the distribution system serve the consumer?" and shows how empirical data should be used in evaluating performance.

The first of the two franchising studies is entitled, "A Marketing Rationale for the Distribution of Automobiles" and is written by Henrik O. Helmers, Ph.D. '69 from the Graduate School of Business Administration. Dr. Helmers is currently a professor in the business school of Queens University, Kingston, Canada, where he is also director of the University's new Donald Gordon Centre for Continuing

Education. The second franchising study is entitled "Financial and Operating Characteristics of Automobile Dealers and the Franchise System" and is written by Charles N. Davisson, U-M professor of marketing and Herbert F. Taggart, professor emeritus of accounting whose current research is continued study of cost justification under the Robinson-Patman Act. The book is available for \$9.50 from the Division of Research.

Another new publication this spring is *The Economics of Education* which continues the series of readings in economics and public policy which are generated by lectures given on a different theme in economics annually by distinguished economists. The present collection, which is available for \$5.00 from the Division of Research, covers a wide range of interaction between economic factors and public policy in education.

## Michigan Productivity Is the Subject of DOR Working Paper

What factors have contributed to the relative decline in Michigan's "mature" economy? And what are some possible remedies? These questions are considered in a working paper published by the Division of Research.

"Productivity and Regional Maturity: An Analysis of Michigan's Post-War Economy" is the work of Gary D. Potts, a senior MBA student whose research was sponsored by the Division of Research and the U-M Institute of Science and Technology.

Potts makes it clear that Michigan's industrial productivity has been increasing at a slower than average rate—a dramatic reversal of the state's industrial picture of two decades ago. In 1950, for example, Michigan autoworkers achieved a figure of \$5.59 in real value added per production man-hour, while the average U.S. figure was \$3.11. By 1971, when markets and manufacturing had expanded geographically, the constant dollar figures were \$13.46 for Michigan labor and \$15.60 for the U.S. as a whole.

The author documents the fact that the state's capital equipment has reached the stage of rapid aging. He suggests that the ability of the Michigan industrial sector to grow in relation to other areas of the country is dependent upon year-to-year gains in labor productivity through manufacturing efficiencies and economies, upon the state's ability to attract investment annually, and the extent to which his investment adds to the productive capacity of the state.

"Michigan's industrial mix is dominated by mature sectors," Potts explains. "The problems associated with this condition are quite evident. The traditional manufacturing sectors now face nearly saturated markets and mounting environmental constraints.

"The key to future success for these industries is the ability to develop innovative cost-reducing technology and, in the process, to force out less

efficient entities. However, this increasing technological emphasis has an impact on the demand for industrial labor.

"In maturing regions, employment growth is influenced by the fact that the creation of new jobs will require higher levels of skill. And characteristically strong labor union influences will maintain the job security of existing employees and tend to resist technological displacement of semi-skilled workers. In such regions, potential job openings of this type, therefore, tend to be filled internally by reassignment or retraining.

"The new labor market," the author states, "seeks a different type of worker—one who is highly skilled and possesses the aptitude to adapt to changing technological requirements. It seems clear, then, that for a region to be industrially competitive its employed labor force must meet these higher structural requirements which allow new capital and human resources to be combined most efficiently."

Because the largest industrial sectors in Michigan are mature in comparison with newer technology-based industries, Potts warns, "It is quite conceivable that a dollar of capital expenditure in Michigan would not provide the same expansionary effect as would a dollar invested elsewhere."

The rising technological requirements of new job formation, he says, demand a regional labor force of higher skill and aptitude in order to provide the most efficient combination of capital and labor.

To achieve a goal of full employment through industrial growth, the author concludes, the strategy must be to: 1) improve the productivity profile of Michigan labor, and 2) create as much incentive as possible to capital spending within the state.

"In the general area of productivity," he writes, "state administrators must cooperate with private industry to gain a mutual understanding of the barriers to more rapid growth in productivity . . . whether such factors be the availability of funds necessary for research or for the implementation of more efficient technology, or other factors more closely linked to the characteristics of the regional labor force (labor relations, supply of adequately trained workers and so on).

"A closer accounting should be made within the state's industry as to the effects on productivity performance of research and development expenditures and of expenditures on human resources. These activities would entail industry-oriented seminars and cooperative research programs sponsored by the state and aided by the academic community.

As for the encouragement of capital spending, the report states that "the implications are that a more potent service sector must be developed within the state to facilitate the flow of funds from savings to investment. Fiscal policies can provide only a finite impetus to investment. A larger financial services community—commercial and investment banking, brokerage houses, suppliers of venture capital, and other fiduciary and intermediary institutions—is needed to support any such effort.

"Specific policies could include liberalizing small business loans subsidizing bank interest rates to state industry in order to alleviate the severe cyclical risk of doing business in Michigan, increasing research funds to state industry, and the establishment of tax benefits for capacity-expanding investment.

"Clearly Michigan has the potential and resources to support a thriving industrial sector in the future," the report concludes. "The state's degree of success in providing for the economic prosperity of its population will depend upon policies based on a clear understanding of all factors affecting regional industrial growth, including the few presented here, and on the ability to reduce any obstacles to growth which can be identified over time."



Recognize anyone? Pictured here is a friendly game between business school faculty members held about 1930 at the home of Francis E. Ross, who took this picture. Left to right are: Herbert F. Taggart, D. Maynard Phelps, Olin W. Blackett, Charles L. Jamison, Merwin H. Waterman, William A. Paton, and Robert G. Rodkey.

## Faculty News

*W. James McGinnitie*, professor of actuarial science and director of the Master of Actuarial Science Program, has been elected to the board of directors of the American Academy of Actuaries.

*Karl G. Pearson*, professor of business administration and director of real estate education, is a co-author of the book, *Real Estate Law*, published in March by Grid, Inc., Columbus, Ohio.

*Claude Martin*, associate professor of marketing, is the author of "The Contribution of the Professional Buyer to the Success or Failure of a Store" in the *Journal of Retailing* and "The Theory of Double Jeopardy" in the *Journal of the Academy of Marketing Science*. He is also a co-author, with Roger Wright, associate professor of statistics, of "Profit Oriented Data Analysis for Market Segmentation" which will be

published in the August, 1974 issue of *Journal of Marketing Research*.

*Thomas J. Schriber*, professor of statistics, has written a monograph on algorithms, entitled *Fundamentals of Flowcharting*, (published by John Wiley and Sons, Inc. in 1969) which has now been published in a Spanish-language edition as *Fundamentos de Diagramas de Flujo*.

*Dick A. Leabo*, professor of statistics and director of the Doctoral Studies program, is co-author with Daryl Winn of an article entitled "Rate of Return, Concentration, and Growth—Question of Disequilibrium," to appear in the *Journal of Law and Economics* published by the University of Chicago law school. Two other papers were presented by Professor Leabo at the 133rd annual meeting of the American Statistical Association. They were "Relationship of Measures of Concentration and Profitability" (with Daryl N. Winn)

and "The Distribution of Stock Purchase Warrant Price Changes" (with Richard J. Rogalski). Both papers were published in the *Proceedings of the Business & Economics Section of the ASA*.

*Herbert W. Hildebrandt*, professor of business administration and director of alumni relations, has had three articles published recently. They are: "Communication Barriers Between German Subsidiaries and Parent American Companies" in the *Michigan Business Review*; "Values of Announcing the Resolution in Advance" in the *Parliamentary Journal* and "Technical Written Reports from Germany" in the *Journal of Technical Communication*. This summer, he will present a paper in German on "Oral-Written Intercultural Communication in the Business World" at the International German-American Communication Colloquium in Marburg, Germany.



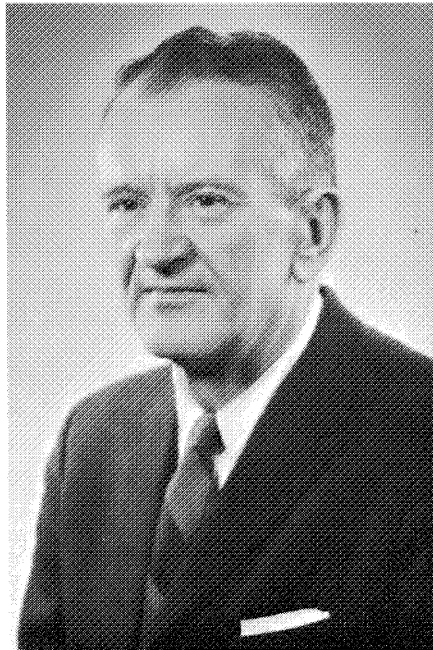
Mary C. Bromage, professor of written communication, is the author of an article entitled "It May Be Second Nature to Him, But It's Greek to Me" published in *Telephony, The Journal of the Telephone Industry*. She also gave a seminar on "Reporting to Management" for the U.S. Army Strategic Communications Command in Fort Huachua, Arizona; and another seminar on report writing was given for the Department of HEW in San Diego, California, during the spring break.

Ray Hill, assistant professor of industrial relations, presented a paper entitled "Interpersonal Compatibility and Work Group Performance Among Systems Analysts: An Empirical Study" at the Midwest Academy of Management meetings in April.

Vern Terpstra, professor of international business, gave the annual visiting scholar lecture at the University of Toledo School of Business. The topic was "The Multinational Corporation Controversy." He also chaired a workshop on international marketing for faculty teaching in this field at the annual meeting of the Academy of International Business.

Wietze Eizenga, visiting Netherlands professor of business administration and economics, is the author with Leo H. Klaassen of a paper entitled "Some Considerations About the Productive Capacity of Consumption Expenditure" that was presented at a conference on the economics of public service organized by the International Economic Association and held in April in Turin, Italy. He also presented a paper "On the Terms of Personal Demand Deposits: Interest Payments and Service Charges" at a symposium on "Actual Problems of Financial Intermediaries" held recently in Belgium.

David J. Brophy, associate professor of finance, gave a paper entitled "Regional Differences in Availability of Venture Capital" at the annual meeting of the Michigan Economics Society. He also gave a paper on "Financial Needs of New, Technology-Based Firms" at the annual meeting of the Financial Management Association.



Robert L. Dixon

### Accounting Professor R. L. Dixon Retires

Robert L. Dixon, professor of accounting, has retired from the faculty of the Business School after 32 years of distinguished service. Professor Dixon received his A.B. at the U-M in 1930, and his MBA in 1931. He joined the faculty here in 1942 after receiving the Ph.D from Yale.

Prior to coming to the University of Michigan faculty, he served as an accountant with two different public accounting firms and as assistant professor of accounting at the University of Chicago.

A statement by the U-M Board of Regents on Prof. Dixon's retirement said in part: "It is difficult to capture in these few paragraphs the energy and vitality that have marked this man's accomplishments. He has been a gifted teacher not only through a most effective classroom manner but as a distinguished author of textbook and case materials. His talents were spent generously not only on undergraduates and graduates, but in

continuing education as well, particularly through the Public Utility Executive Training Program which he initiated and directed for many years. In 1957 he was invited to Australia to lecture on accounting throughout that country and in acknowledgement was made an honorary fellow in the Australian Society of Accountants."

Professor Dixon served as president of the American Accounting Association and as editor of *The Accounting Review*. His most recent book, *The Executive's Accounting Primer*, published by McGraw-Hill in 1972, was chosen as its midwinter, 1972 selection by The Executive Program, a businessman's book-of-the-month club.

### Cece Smith, BBA '66 Named Treasurer of University Computing Co.

Cece Smith, BBA '66 with high distinction, has been elected controller and treasurer of University Computing Company, a multi-national data processing company providing a variety of services to more than 5,000 financial, industrial, scientific and governmental organizations in 17 countries. She is the first woman officer in the history of the company. Her responsibilities include control of all domestic and foreign financial transactions, including accounting, financial analysis and reporting, cash management, budgeting and design and implementation and management systems.

Prior to joining the company in 1968, Miss Smith was a staff accountant with Arthur Young & Company in Boston. In 1966, she was awarded a gold medal for the highest score on the 1966 Massachusetts CPA exam. She is a member of the American Institute of Certified Public Accountants and Texas Society of Certified Public Accountants.

University Computing Company was founded in 1963 by Sam Wylie, MBA '57, with a capital of \$1,000. It is now a subsidiary (sales 85 million, employees 2700) of the Wylie Corporation, which employs 4,000 people and has sales of \$104 million.

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## “Mercury in the Head and Lead in the Tail”

*Continued from page 13*

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be achieved by unblushing impudence.” His book was translated into German, Italian, and French, “and foreigners to this day, when they refer to English book-keeping assume that we have no books except a ledger and a memorial (journal) and that the former has ten columns (a feature of the Jones system). At home his fame was equally great.”

In spite of this, Jones’s system never seems to have caught on in practice. Writers of accounting texts continued to espouse the “Italian method,” except for an occasional text which was devoted to single entry. One of these was the earliest item in the Ross collection to use dollars and cents. It was published in Philadelphia in 1809. It was not written by an American, however, but by Charles Hutton, a professor of mathematics in the Royal Military Academy, Woolwich, England, and, according to the title page, had been “adapted to the currency of the United States by a citizen of Philadelphia.” The explanation for this conversion into “Federal money” is interesting: “As the method of keeping accounts in dollars and cents is altogether used in some places, and gradually growing more into use in others, it is presumed this alteration . . . will considerably enhance the value of the work.” Since decimal money had been adopted by Congress in 1785, this seems like a fairly safe deduction.

The author stated that “It is necessary that almost every person who is intended for business, should learn a course of Book-Keeping of this kind (single entry), because it is used in almost every shop.” A person trained only in “the Italian form” would be at a loss to know how to manage a single-entry system. Also, “There are some who have not time to learn, or perhaps a capacity to understand a complete course in the Italian method.” Finally, “This method is so easy, that it may also be taught, in a few weeks time to young Ladies, as well as to young Gentle-

men.” It is perhaps because of this that the book in the Ross collection once belonged to one Mary Baker, who acquired it in 1821.

The single-entry ledger, according to this treatise, consisted entirely of personal accounts. No impersonal accounts were kept, not even for cash. At the end of the year an inventory would be taken, which included “Cash and other effects.” This, together with personal accounts receivable, minus accounts payable, constituted what Hutton called the proprietor’s “neat

worth.” An oddity is the use in several of the illustrative transactions of amounts which end in half cents. This brings to mind the fact that for many years U.S. coinage included half cents.

It would be possible (and is a great temptation) to go on and on in describing the curious and thought-provoking items in the Ross collection, but space considerations forbid. The reader whose curiosity has been whetted may satisfy it by a visit to the Business Administration Library.

## ADVICE

### To the *WOMEN* and *MAIDENS* OF **LONDON.**

Shewing, that instead of their usual Pastime; and education in Needle-work, Lace, and Point-making, it were far more Necessary and Profitable to apply themselves to the right Understanding and Practice of the method of keeping books of account: whereby; either single, or married, they may know their Estates, carry on their Trades, and avoid the Danger of a helpless and forlorn Condition, incident to Widows.

With some Essays, or rudiments for young beginners; in twelve Articles.

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*By one of that Sex.*

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L O N D O N,

Printed for *Benjamin Billingsley* at the Printing press  
in *Cornhill*, 1678.

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## Changes and Forecasts

*Continued from page 9*

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*accounting? Wouldn't there be a natural rivalry between that school and the business school?*

A. It depends really upon how farsighted the dean of the business school is, and in some institutions I think it may prove to be bloody. I'm more concerned with the availability on campus of professional education in accounting than I am with the organizational framework. I think that this can be accomplished within the scope of the business school. You don't have to secede—infiltrate!

Q. *What is the necessity (or realism of) going on to an MBA once you've got a BBA in accounting?*

A. Let me answer your question with a question. Do you get the house organs of the major accounting firms? Do you get an issue in which they list names and biographical data of those who have been admitted to a partnership? Look at their education. Don't let anyone sell the graduate program in accounting short. It pays off.

Q. *Then is the BBA in accounting on the way out?*

A. I think it'll be a long time before all of the entrants into accounting come via a school of professional accountancy. In the meantime, we're going to take advantage of every route which will turn out good people.

Q. *What measures do you think the Institute might take to ensure good quality control methods in accounting firms? For example, might there be a time when other accounting firms will be able to go and spot check the work papers and other records in other accounting firms?*

A. As a matter of fact, you have put your finger on something which is a very, very hot topic. We developed, a couple of years ago, something we called a quality review program for small firms—essentially firms having single offices. And we have in the

last few years performed, with the use of volunteer CPAs from among our membership, a couple of hundred of these quality review examinations—audits, if you wish. Now, under the stimulus of the SEC, we are beginning with certain misgivings to attempt a quality review analysis of a multi-office firm. I don't know how it's going to work out. But I think it's entirely possible—in fact probable—that we'll see an increase in this kind of thing in the years ahead.

Q. *If you establish a separate school of accounting, then how much accounting will be in the regular business program? Might it be like business law—a sort of second cousin in the business school?*

A. If I were the dean of a school of professional accountancy that had succeeded in achieving a separate identity on a particular campus and there was still a business school there, I would do everything in my power to maintain a good relationship with that school and to offer to teach for them whatever accounting they felt appropriately should be contained in the education of a potential decision maker-manager. Among other things, the business school is going to have the finance faculty that I want to teach my people, and I think it's entirely reasonable to expect that a CPA have some familiarity with the marketing process. So I might want my people to either take these subjects while in the professional school or as pre-professional preparation. And let's face the fact—few people come to college intending to become accountants. The majority of them are exposed to accounting in a course that they're somehow required to take, find it fascinating and decide they'll go on. For heaven's sake, keep the elementary course in the business school because that's where you're going to do your recruiting. I don't see any reason why the accounting professor from the professional school, working under some kind of joint appointment teaching business school students, ought to be viewed as a second cousin. I should think he would be more like a beneficent uncle.

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## John C. Colt

*Continued from page 19*

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nothing to allay any prejudicial sentiments among the jurors, or the spectators who were able to crowd into the courtroom. Although Adams's body had been thoroughly identified during the coroner's investigation, and the defense offered no denial, his blood stained clothing was brought into the courtroom and presented to his widow for further identification. Then, as though from a scene in a horror movie, the District Attorney arranged to have Adams's body exhumed and his skull removed. It was brought into the courtroom and placed on a table before the jury, and the physicians who had conducted the autopsy four months earlier were asked to demonstrate that the hatchet fitted into the depressions in the skull. At the end of the trial, which lasted eleven days, Judge Kent's charge to the jury included this instruction: "You may say that Colt designed to take Adams's life, if so it was murder. But you must show premeditation.", and although the record shows no evidence of premeditation, the verdict was: "Guilty of willful murder."

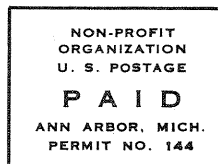
### Suicide and a Fire

On September 27th, after a final application for a new trial was denied by the State Supreme Court, Colt was sentenced to be hanged on November 18, 1842. Efforts were made to delay the execution, including a petition to the Governor, William H. Seward, signed by thirty-six members of the New York Bar, but to no avail.

On the day appointed for his execution, which was set for 4 o'clock, Colt was visited by several friends, including his brother Samuel and the Reverend Dr. Henry Anton. At noon Caroline Henshaw was conducted to his cell and they were married by Dr. Anton. She left early in the afternoon and later at Colt's request all of the others departed, his brother being the last to leave.

By this time, some three hundred persons had been admitted to the

*Continued on page 28*



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## John C. Colt

*Continued from Page 27*

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prison yard where the gallows was erected, and several thousand others packed all streets leading to the prison. Shortly before 4 o'clock, the Sheriff and Dr. Anton entered Colt's cell to conduct him to the place of execution and found him lying on the bed with a knife handle protruding from his left side. The blade had reached his heart and Colt was dead. Later, a coroner's jury determined that Colt came to his death by a self

inflicted wound but was unable to say how he had obtained the knife.

As a fitting climax to this lurid tale, at the exact time set for the execution, a high wooden watch tower above the prison caught fire from an overheated stove, left by a guard who had gone down to witness the execution. The flames could be seen from all over the City and there were many (some even twenty years later) who were convinced that Colt was not dead and that the fire was part of a plot to free him and spirit him away to some foreign country.

### Sources

Remarkable Trials of All Countries, Thomas Dunphy, New York, 1867.  
The Italian Science of Double Entry Bookkeeping, John C. Colt, Cincinnati, 1838.

Provided by courtesy of The New-York Historical Society:

Authentic Life of John C. Colt, S. N. Dickinson, Boston, 1842.  
Extra—New York Sun,  
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The Diary of George Templeton Strong.  
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## Current Issues in Accounting

*Continued from page 7*

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which is taken by the prospective accounting major, the future tax specialist, and also the general MBA candidate who is interested in a general business career. The present course is too detailed and specialized for most of the management oriented MBAs, but yet does not provide the depth of tax knowledge needed by the prospective CPA.

*Q. How will the new courses remedy this situation?*

A. We are proposing a six hour basic tax sequence that can get into the depth needed by the CPA and that also can serve as the introductory courses for the student who wants a concentration in taxes. An important ancillary benefit will be that this will allow us to convert the three hour general MBA course into a tax

planning and "tax awareness" type of course that should be more suitable for the management-finance oriented MBAs.

*Q. What else is changing in the field of accounting education?*

A. The AICPA has proposed that five years of college work be required for entrance to the accounting profession—that is, to become a CPA. There is, in addition, a newly established Institute of Management Accounting which is implementing and administering the new Certificate in Management Accounting program. The second CMA examination was given last December, and it is expected to become a recognized professional designation just as CPA is. The Director of that Institute is James Bulloch, who was a professor of

accounting on our faculty until he accepted that position in the fall of 1972. Jim still lives and works in Ann Arbor.

*Q. What about the trend toward required continuing education for accountants in order to maintain their professional certificates?*

A. Several states already have adopted laws which require every CPA to present evidence of continuing education each time he renews his state license. The norm seems to be 40 hours of professional instruction per year. I understand that the Michigan Association of CPAs has recommended that Michigan move toward such a requirement. This trend will undoubtedly spread, and will certainly have a great impact on universities and on professional societies and accounting firms to provide the facilities and faculty needed.