Dividend

The Magazine of the Graduate School of Business Administration • University of Michigan • Fall, 1976

THE PATON ACCOUNTING CENTER

LETTERS

Values: A Special Report

Editor:

Re: the Spring issue, congratulations on a noble job. (My, how things have changed in 40 years!) But there is (at least) one phase that was not touched in any of the articles.

Since we now know much about the finiteness of the earth's resources, it seems to me that it is incumbent on the business community to strive to mete them out in such a way that mankind can survive into infinity. (The class of '37 worries about its grandchildren!) Part of the value structure must include a recognition that we are in an era of limits. Building up large reserves of dollars will not substitute for an absence of resources in which to invest. How to develop this value concept in the competitive business arena may not yet be answerable; but there is no doubt that some scholastic preparation should be scheduled right now.

James Scherr, MBA '37
Sherman Oaks, California

Editor:

I must say that your Spring issue of *Dividend,* "Values: A Special Report," caught me totally by surprise. I found the articles dealing with the discussions between students and faculty members most hopeful. At least some students appear to see the inherent contradiction between the profit motive and the social costs of operating a business in modern society.

On the other hand, I found the article by Blumenthal of the Bendix Corporation to be superficial beyond belief. From my view, Blumenthal's defense of corporate corruption by a blanket allegation that government bureaucrats are just as corrupt is no defense at all. His other defense, to the effect that business has not become suddenly corrupt, but that "society's expectations" have changed, is really a most-damaging indictment of the business world. Finally, Blumenthal's prediction that ethical leaders will be the captains of American industry in the future because wealth and talent will tend to flow to such businesses is totally myopic. Wealth will continue to flow to those businesses which worship the profit motive and ignore the social costs of their business operations. Talent will flow to those companies that are willing to pay the top dollar. I do like his idea for a code of ethics but have serious misgivings that any corporations would envision it as anything more than a public relations gimmick. The real problem with any system of values or ethics for businessmen is enforcement. What is the deterrent for those who place profit over fairness, morality and equity? Our experience teaches us that the law is the only deterrent to misdeeds against society.

Finally, as to my own point of view, while I agree that the profit motive is the best system for allocating goods and services in our society, it is also the worst system for internalizing the social costs of doing business. The profit motive compels business to push these costs onto society as a whole. The general public and government will, therefore, be continuing to legislate values in areas in which the American businessman cannot deal. The environment, unemployment, occupational health and safety, workers' rights, pension protection, employment discrimination, consumer protection, and tax reform are all areas in which business will be provided with a legislated conscience.

Leonard R. Page, BBA '65, MBA '68
JD, Detroit College of Law 1972
Detroit, Michigan

Editor:

This letter is an expression of thanks for my Spring, 1976 copy of *Dividend,* and a big congratulations to the School for trying to enlighten our cohorts of the fundamental interrelationships in a society.

Earl Sunderhaus, M.D.
Ashville, North Carolina

Business and the Press

Editor:

Professor Shontz' advice on press relations for business (Winter, 1976) was long overdue. Perhaps it will help some executives see the press as the neutral chroniclers they really are, rather than the antagonists so many people consider them. I have only two additional suggestions: 1) Never, never lie to a reporter (even though you might have to say, "I can't tell you that") and 2) Become a responsive, accurate news source for the press in your area of expertise, even though your own firm or interests are not involved. When they know they can count on you to verify facts, your total relation will get much better.

Philip J. Meathe
President
Smith, Hinchman & Grylls
Associates, Inc.
Detroit, Michigan

Editor:

The quotation on the cover of *Dividend* from Professor Shontz's excellent article, "Is Business News Bad News?" certainly contains some bad news for corporate legal departments.

Having glanced at the cover I expected to find an article castigating legal departments and suggesting that they be avoided by corporate spokesmen at all costs. Much to my surprise I found a thoughtful article on a topic of considerable importance to businessmen which does not mention legal departments except in the quotation that appears on the cover.

While Professor Shontz and I might disagree about the proper role of lawyers in assisting corporate spokesmen to achieve the goal of good business and economic news, I suspect that we may agree that the quotation on the cover, insofar as it emphasizes legal departments, is neither accurate nor balanced coverage of the import of her article.

Jack D. Hunter
Vice President and
General Counsel
Lincoln National Corporation
Fort Wayne, Indiana

Dividend

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About the Cover
A fish-eye lens makes possible a wide angle view of the Paton Center, part of the Assembly Hall Building which adjoins it, and the original Business School Building to the far right of the picture. The photographer is Virginia Geren.

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The Future of Accounting

by Sidney Davidson

Editor's Note: Thirty-nine years ago Sidney Davidson, former Dean of the Graduate School of Business at the University of Chicago and distinguished member of the accounting profession, took a course in elementary accounting from Bill Paton. And, as Davidson said in the beginning of his speech, "His probing mind and keen wit, his dedication and devotion to accounting education were powerful enough to cause me to change all of my career plans, and he won me over as he did so many of us here to a career in accounting." Davidson, who received his Ph.D. in accounting at the University of Michigan in 1950, was among the featured speakers at the dedication ceremony.

BEFORE we look at the future of accounting we must first agree on what are the objectives of accounting. What *are* the objectives? Should accountants merely be stewards, or should accounting play a role in economic analysis, so as to provide useful information for decision-making?

Many accountants apparently believe that stewardship is the basic objective of accounting rather than output of useful information for decision-making, and if that were true, this talk on the future of accounting could be very brief, as the future would be limited indeed.

But Bill Paton and all of us who studied under him have emphasized the role of accounting in economic analysis, and in my opinion that is where the future of accounting lies.

Accounting data play an important role within the firm in the planning and control of operations. As Bill Paton said in a speech before the Michigan Academy more than 50 years ago, "an important if not *the* most important phase of modern accounting involves the uses to which the accounts may be put to serve managerial purposes." And indeed it is in those internal uses of accounting data that we have made the most progress.

What about external reports? External reports should aid all those interested in the firm to get a better understanding of its present position and its future prospects. The Trueblood Report on the objectives of accounting said that the financial statements should "provide users with information for predicting, comparing, and evaluating enterprise earning power."

However, our external reporting, I am afraid, has succumbed too readily to pleas for conservatism, for uniformity, for deterministic presentations of probabilistic data. The result has been a process of asset minimization, a process of external reporting that too often reports wise managerial decisions unfavorably. For accounting to enjoy a bright future, this deficiency must be remedied.

If accounting is to survive as the primary reporting system, the measurement of periodic net income must be reconciled with the concepts of managerial analysis. It seems unthinkable that a wise decision by management, based on a careful consideration of probable future consequences and proceeding precisely according to plan, should have the effect of reducing reported net income. Yet this is what can happen under present accounting principles.

Under these conditions, it's scant comfort for management to be told that if the program continues according to plan, reported net income will ultimately be higher—indeed higher by an amount that compensates for the earlier reported losses! What solace is it, though, for managers to think of these compensating gains sometime in the future? It would be bad enough to think of the danger of being replaced by a new management as a result of troublesome accounting reporting practices. How much worse it would be to be told that the management that succeeds you will look especially good as the compensating effect for the losses recognized previously!

In view of this, let me suggest as an article of faith for accounting, that carefully considered and wise managerial action should not serve to reduce reported income. Let me suggest that those presentations that are good enough for management can't be all bad for investors. We should be guided by that same sort of economic analysis in rendering our financial statements.

Let me illustrate actions that I think threaten the bright future of accounting by commenting on a couple of them.

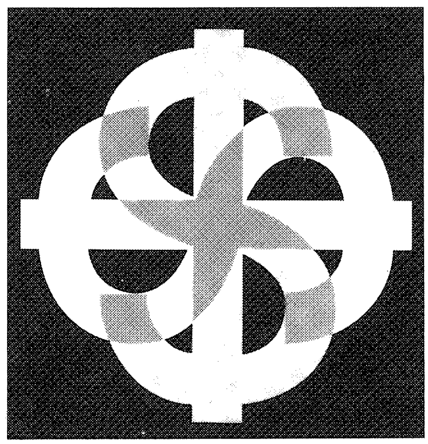
Generally accepted accounting principles fail to recognize that our changing dynamic world is putting constantly greater emphasis on research, on education and training, and on development expenditures. Rapid technological change and quantum jumps in knowledge and products make this emphasis imperative. Yet as these expenditures continue to grow, the accounting profession, by approving FASB Statement #2, says that we must expense them all. Such a step is conservative, it is uniform, and it is wrong! It just does not help the reader of financial statements to understand today's world.

If assets are indeed future benefits (and I hope the Financial Accounting Standards Board will soon get around to saying so) then it just doesn't make sense to say that American industry is spending billions of dollars annually without getting any assets, any future benefits, in return.

Now, of course, estimates of the amount to be capitalized—the amount of these future benefits—are subjective and they're probabilistic. But so is the world. Some arbitrary assumptions will have to be made if we are to capitalize research expenditures. But anyone who thinks that zero is not an arbitrary number, is, of course, kidding himself. And in the aggregate, zero seems like the least likely arbitrary number to assign to the value of research and development expenditures. As John Maynard Keynes once pointed out—"It is better to be vaguely right than precisely wrong."

It is this desire for precision, this conservatism, this desire for uniformity that has characterized accounting for too long. And this same sort of thinking has carried over as we've come to talk about accounting for inflation.

In accounting for inflation, almost all of the actions of the organized accounting profession have opted for general price level adjusted financial statements, and this has been true in almost every one of the English speaking nations. General price level adjusted statements have been most appealing to accountants, because they involve the adjustment of objective historical cost data by a single, agreed-upon government price index of changes in the general



price level. Thus the results are objective, and they're auditable and these, of course, are terribly important virtues to the accounting profession. Indeed, they do indicate how the average firm would be affected by inflation, and thus they do serve a somewhat useful purpose. But, it seems to me, they serve a far less useful purpose than a system that fully reflects costs and current values of the specific firm.

Despite all its uncertainties and despite the lack of uniformity that will result, I applaud the SEC's recently issued Accounting Series Release Number 190 which calls for presentation of replacement costs. In his 1920 article in the *Journal of Accountancy,* Bill Paton pointed out that "It is not *general,* but specific price changes that the accounts should follow." It seems that as accountants seeking to serve the public we owe a debt of gratitude to the SEC for following Bill Paton's early advice and insisting that we start down the right road!

As the final example of where we must move in the future, let me turn to the topic of forecasts. Should management, with the assistance of its outside accountants, be furnishing the public its forecast of the period ahead? My strong feeling is that the answer must be yes. In fact, I think that is the single most important additional bit of information financial reports can furnish the public.

Now, of course, the forecast would not be accurate, and some unscrupulous managements might try to beat the system, but the important question is: would users' predictions of the future be improved by having these data? In other words, the important consideration is not the accuracy of management forecasts themselves. Rather it is the relative accuracy of users' predictions with and without forecasts in the financial statements.

No discussion of forecasts is complete without citing the most apt analogy of Homer Kripke, another of Bill Paton's former students and advisees. Kripke had this to say: "We would not think much of a military general staff or intelligence staff which told a field commander they were not going to give him their estimates as to the enemy's strength and disposition for fear that they might not be accurate or complete, but would instead prefer to give him something that they were sure was reliable, like information about the enemy's disposition in the last war."

It seems to me that if we are to have fair and realistic presentation of the economic facts of life, we must remedy these deficiencies, and emphasis on fair and realistic presentation has always been at the heart of Bill Paton's accounting thinking. It illuminates the path that we must take if the future of accounting is to be bright.

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A report on the first research project of the Paton Accounting Center

Where Does the Money Go?

Financial reporting practices of major cities need to be substantially strengthened, according to the preliminary results of this study.

A STUDY of the financial disclosure practices of approximately 50 major cities concludes that cities must vastly improve their present fiscal management practices if local control is to be preserved. Sponsored by the multinational public accounting firm of Coopers and Lybrand, the study was undertaken jointly with the University of Michigan Graduate School of Business Administration as the first team research project of the Paton Accounting Center. The research team performed extensive analysis of data obtained from city reports and in-depth interviews with top financial officers in the cities.

The demand for increased public services coupled with inflation have caused city expenditures to skyrocket. As a result, large U.S. cities are becoming more and more dependent upon resources supplied by state and federal governments. Consistent with that trend, available data show that 23 out of the 43 cities studied have spent more than they have taken in from their own locally raised revenues. This strain on the purse strings of local governments is creating a condition in the U.S. that could lead to an even greater reduction of local control over the cities' own destinies.

The study makes the point that "A necessary ingredient of an effective control system is adequate public disclosure of budgeted and actual financial data." Responsible reporting of financial facts permits public evaluation and criticism to bear upon the operations of governmental units. The study found that many of the cities do not comply with existing municipal disclosure guidelines, and the guidelines themselves have not kept pace with the evolution of financial reporting practices in the private sector.

These findings are part of the preliminary report of the joint study, entitled *Financial Disclosure Practices of the American Cities: A Public Report*. Here are some highlights:

- An unpleasant surprise awaits the taxpaying public when it learns that future taxpayers will not only have to pay current municipal salaries and fringe benefits but also the cost of benefits earned in the past. The annual reports of only seven of the 43 cities covered by the study disclose the amounts of liabilities for vacations and sick leave.

- The cost of sick leave and vacation pay, though, is dwarfed by hundreds of millions of dollars of undisclosed retirement obligations which must be funded in the future. Sixteen of the cities surveyed make no disclosure about their unfunded obligations for retirement benefits to which their employees are entitled. These cities reveal nothing that permits meaningful evaluation of the economic soundness of employee retirement funds. The study revealed that retirement obligations for large cities often exceeds $100-million and in some instances $1-billion. The funding of these obligations in the future will be a serious drain on municipal revenues which are already inadequate.

- Seventeen cities do not disclose the amount of overlapping debt in their annual reports. Thus, a bondholder scrutinizing the annual report to determine the ability of cities to raise taxes will not know how seriously that ability has been impaired by the debt demands of overlapping jurisdictions.

- On the positive side, the study reported, "With the exception of overlapping debt, cities generally do a good job of disclosing their long-term bond obligations. For example, a large majority do show in their public statements such data as the amount to be provided, and the amount available, for payments to bondholders."

- One of the striking findings was that almost 30 percent of the cities studied do not maintain accounts for historical costs of assets like fire engines, police cars, adding machines and typewriters that are used in delivery of general government services. Generally accepted accounting principles require that such information be maintained and reported to the public periodically. "Until such time as an accurate record-keeping system is maintained," said the report, "the public's municipal assets are prey to theft, misappropriation, or misuse without detection."

- Even when cities do maintain records of assets, current accounting rules do not require the depreciation of their cost. In addition, disclosure of current replacement costs of assets acquired years ago at pre-inflation prices is yet to be considered.

- Twenty-six of the cities—only 60 percent of those studied—have their financial statements audited by an independent certified public accountant. And of those, only eight received an auditor's opinion that did not take exception to the cities' reporting of financial conditions and reports of operations.

- The study found no evidence that seven cities do any interim reporting to the public, contrary to the spirit of timely and meaningful municipal disclosure.

- Roughly one-half the cities surveyed budget expenditures on an annual basis, but provide no interim controls over outlays made on a month-to-month basis. This is contrary to prudent budgeting practices, since timely monitoring of on-going programs and expenditures is absent in such cases. This can lead to costly, short-term borrowing against next year's taxes.

With respect to budgetary controls, the study disclosed that nearly 30 percent of the cities take little or no action when expenditures differ from the budget. Such inaction indicates a lack of systematic control that can contribute to excessive spending. Further, it implies an absence of structured evaluation of program performance and proper assessment of the efficiency and effectiveness of operations.

Thirty-one cities permit administrative officials to make alterations to the council-approved budgets. Thus, the final budget for the majority of cities surveyed is not directly determined by council, the taxpayers' elected representatives. Furthermore, the extent of such alterations by administrative officials is not disclosed to the taxpaying public in published financial statements.

The joint survey pointed out that the cities are not entirely to blame for what, in many instances, is inadequate financial reporting. It said, "Municipal financial officers are operating under a set of accounting principles which do not satisfy the current needs of the tax-paying and bond-buying public."

Moreover, the study said, the mere observance of these rules tends to yield a financial report "of such complexity that even an expert would find it difficult to draw a clear picture of total municipal operations." In this respect, members of the study team suggested that consideration be given to a simplified summary for the use of the general public together with a more detailed technical report for professional analysts.

The new study comes in the wake of the accelerating concern over the condition of municipal finances, the viability of the nation's cities, and their ability to obtain financing.

For instance, the Municipal Finance Officers Association (MFOA) is pushing strongly for increased disclosure by municipalities when bonds are floated. The MFOA's "Disclosure Guidelines for Offerings of Securities by State and Local Governments" document has been exposed to its membership to inform and encourage them to make better disclosure.

There are also two related bills before the Congress. One, S-2574, sponsored by Senator Eagleton (D.-Mo.), calls for removing the exemption of municipalities from filing and registration requirements under the Securities Act of 1933 and the Securities Exchange Act of 1934. Another bill, S-2969, sponsored by Sens. William (D-N.J.) and Tower (R.-Tex.) calls for the publication of annual reports by cities having $50-million of outstanding debt and the preparation of issuance statements when debt in excess of $5-million is offered for sale. S-2969 would give the SEC powers to establish rules and regulations governing such reports.

In a like vein, the National Council on Governmental Accounting is undertaking a revision of its publication *Governmental Accounting, Auditing and Financial Reporting.*

"These are hopeful signs, but obviously much more urgently needs to be done by the accounting profession, elected officials, and city financial officers to develop improved financial reports," the study concluded. "We must encourage a more intensified cooperative effort by the cities and the profession to create a reporting framework that is more responsive to the public's needs, and which will strengthen the management and administration of the public's property and disbursement of its tax dollars."

The findings enumerated above are part of the preliminary report of the joint study, with the final report expected to be published in early fall.

The first part of the final report will discuss the degree of compliance of municipalities with generally accepted accounting principles. The second part will critically evaluate generally accepted accounting principles for municipalities, and make recommendations for changes so that published reports of municipalities will better communicate to taxpayers and bond holders. For more detailed information on the final report, readers may get in touch with Earl Keller, associate professor of accounting, Graduate School of Business Administration, University of Michigan, Ann Arbor, Michigan 48109.

Michigan business alumni are working with an agency in New York that brings the skills of executive volunteers to bear on problems confronting not-for-profit organizations and minority entrepreneurs.

Upping the Odds on Success

By Arthur P. Bartholomew, Jr., MBA '40

WORK with the Volunteer Urban Consulting Group of New York has involved Douglas Ashby, MBA '64, with a wide range of problem solving—everything from helping a non-profit committee coordinate "July 4th in Old New York" to analyzing the problems of a small, minority-owned company in the food business in New York City. In each case his expertise (he is Manager, Dining and Catering Schedules and Controls for Trans World Airlines) was brought to bear in different ways.

The non-profit committee was faced with the problem of how to administer and develop a program to feed the millions of people expected to jam the lower tip of Manhattan Island on the fourth of July when the tall sailing ships would be in New York Harbor. Ashby and another of VUCG's volunteers, Stuart Shatken, helped the committee to develop a comprehensive food and beverage plan, taking into account such complex factors as site availability, street closures, the physical layout of the festival, the order and placement of events, and expected participation of other food suppliers, such as street vendors.

The small, minority-owned company had contacted the VUCG for help because it had cash flow problems and heavy debt. Working with other VUCG volunteers, Ashby developed figures on the size of the company's present school lunch operation and estimated the amount of additional business that could be handled with existing facilities. He advised that the company could and should double its operation from its present 5,000 to 10,000 lunches per day, and estimated that the company could handle up to 20,000 lunches per day with its present facilities.

These are typical problems encountered by VUCG volunteers. Non-profit organizations often need to develop programs that require a great deal of practical business experience and thus find it helpful if they can reach out to the business community for advice and guidance. Small minority-owned businesses may find that practical advice from the business community may help to spell the difference between success and failure. The VUCG serves as a bridge between these groups and the business community.

In the early phase of a typical engagement, explains Ms. Brooke Mahoney, VUCG's Director, the staff (currently six people) works to assist the client in properly defining the problem. It then follows by selecting and introducing well-briefed volunteers having the specific skills required. Volunteers usually work in teams of two or more, and each person generally devotes an average of two hours a week.

Ashby is one of a group of University of Michigan alumni who are working with the VUCG. The Michigan graduates have joined alumni of other universities in consulting activities that take them into small manufacturing plants, settlement houses, off-Broadway theaters, trucking company facilities, retail stores, health centers—wherever not-for-profit organizations or young businesses in need of advice conduct their operations.

VUCG is a Business Resource Center, funded by the Office of Minority Business Enterprise (OMBE), a division of the U.S. Department of Commerce, and by grants from several foundations and corporations. It receives volunteer support from eight business school alumni clubs (including the Michigan Business Alumni Association of New York) and the Metro Chapter of the Young Presidents Organization of New York City.

Studies made by the VUCG show that the specific assistance needed by most of its clients falls into three distinct areas: 1) minority entrepreneurs who need business advice (in 1975, 305 VUCG volunteers worked with the 158 minority-owned

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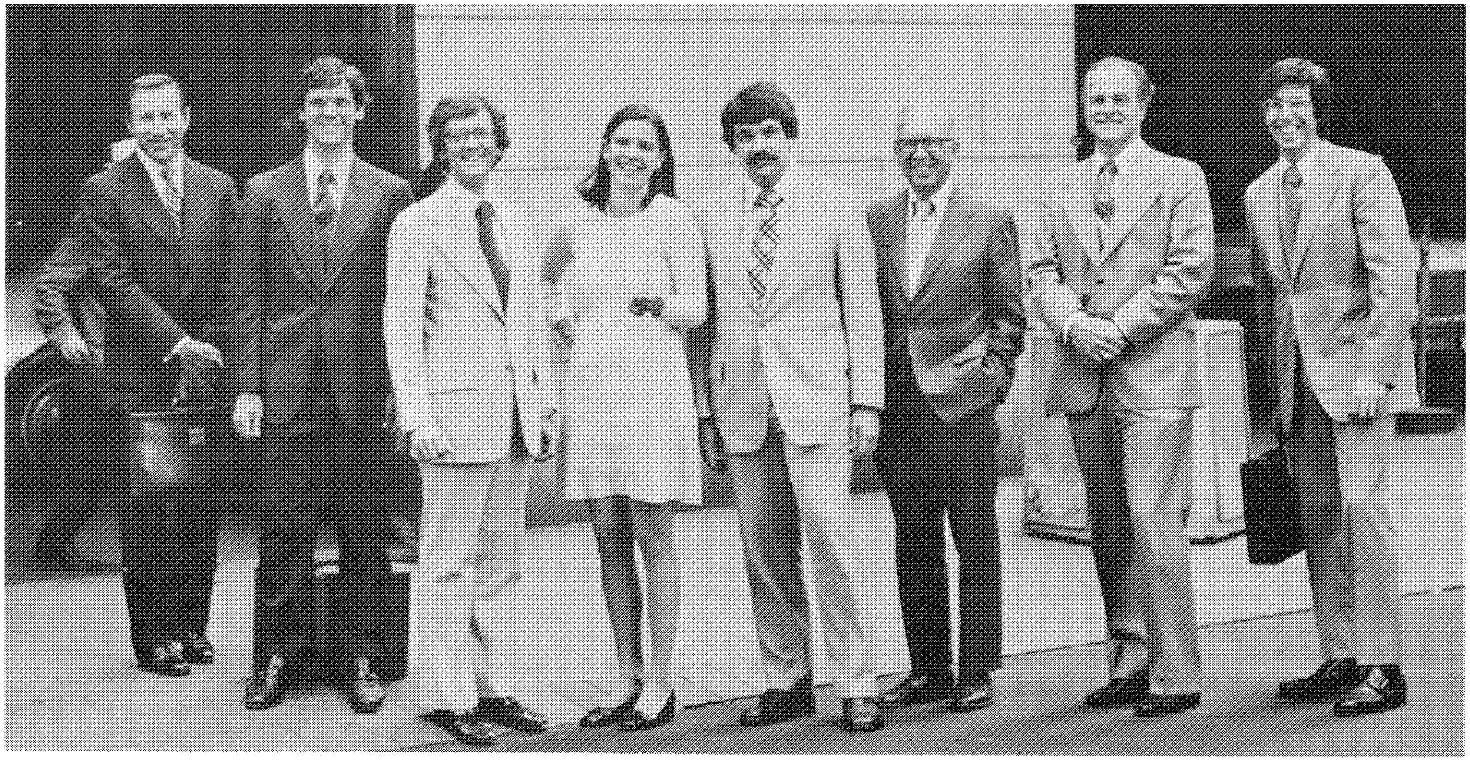
About the author: Mr. Bartholomew is Partner in charge of the Eastern District of Ernst & Ernst. He is a member of the Board of Directors of New York's Volunteer Urban Consulting Group, and was instrumental in sparking the interest of Michigan alumni in the Group.



Michigan alumni working with the Volunteer Urban Consulting Group in New York City are pictured outside of Grand Central Station. From left to right, they are Leonard Bernstein, BA 1952; Edward Anderson, BA 1969; Douglas Ashby, MBA '64; Brooke Mahoney, Director of the VUCG; John Hammerschlag, BSE '70; Arthur Bartholomew, MBA '40; Edward Jacques, MBA '58; and Charles Moran, Michigan law graduate, 1967. Not pictured is Ray Ceriotti, MBA '67.

firms); 2) not-for-profit organizations who need management advice (58 organizations of this sort were assisted in 1975); and 3) purchasing assistance (the New York/New Jersey Minority Purchasing Council, a part of VUCG, develops and conducts programs to help corporations and minority vendors establish buyer/seller relationships).

Poor financial proposal writing is a weakness experienced by many young businesses. Edward A. Jacques, B.S. '47, MBA '58, Manager of Capital Assets for the ITT Corporation, assisted one client who had not been able to interest banks in his financial proposal. The company was seeking a large loan to set up manufacturing facilities. However, Jacques discovered, the loan was being sought on the strength of several large retailers' statements of desire to buy the product, but the product was not actually being manufactured. Jacques pointed out that a retailer's intent to buy cannot be firmed until he is given details of the product (in this case, an ignition kit for cars), including its availability and pricing. He urged the company to scale down its financing program and to start operations on a small scale—in a vacant garage, if necessary. He then worked with other VUCG volunteers to obtain opinions from a number of distributors regarding pricing, markets, and merchandising procedures for this type of product. The company was helped to develop a detailed financing proposal, which sought a loan considerably smaller than that originally requested.

Ray Ceriotti, MBA '67, Manager of Special Projects at Chem Systems Inc. brought his training in business management to bear on problems encountered by a small trucking company operating a 13 state franchise against stiff competition. One key problem that led the company to seek VUCG help was fuel costs. Drivers bought fuel from the nearest station when needed, obtaining refunds from the company. If the company could operate its own filling station it could earn substantial price reductions on fuel, but would have to guarantee purchase of a minimum of 40,000 gallons a month—a large amount for a small company. Ceriotti urged the company to develop cost figures and launch a promotional campaign among its drivers, showing them the savings to the company and themselves possible through a bulk fuel purchase program.

Charles Moran, 1967 graduate of Michigan Law School and Vice-President of Manufacturers Hanover Trust Company, helped two not-for-profit organizations that were interested in providing their employees with the best benefit packages possible given budget limitations. He found that the organizations had never reviewed all of their benefit plans to determine if they were actually accomplishing what the organization wanted with them. "No additional money was available for benefit payments," says Moran, "so we recommended rearrangement of the existing allocations." The recommendations were based on analysis of the client's present benefit packages and those of other, similar, not-for-profit organizations.

Planning, a key to success in most endeavors, proves a stumbling block to many young organizations. Not-for-profit organizations don't

Continued on page 27

The dedication of the Paton Accounting Center

A Special Man — A Special Crowd —

William A. Paton cuts the ribbon leading into the Paton Accounting Center as Dean Bond and an appreciative crowd watch.

A Special Day

"You wouldn't believe the number of speeches I've written and thrown away trying to get ready for this serious occasion," said an obviously moved Bill Paton to the crowd that filled Hale Auditorium on the morning of June 11. "Look at all this crowd of folks," he continued, looking out at the hundreds of people gathered, "and you know, it's more difficult in a way to talk to good friends than it is to people you don't know quite so well."

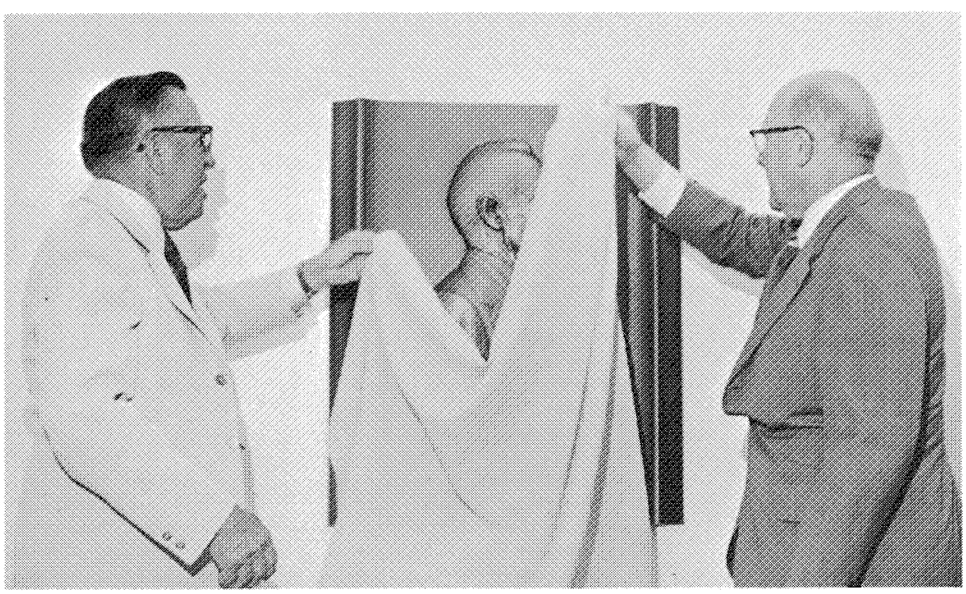
There was certainly no doubt that he was talking to a multitude of good friends. Though the people who filled the auditorium that day came from all over, and included heads of major corporations, top level partners of CPA firms, faculty, students and many, many business-people, just about everybody had one thing in common—and that was an appreciation for the man who was being honored that day—Professor Emeritus William A. Paton.

The crowd had gathered for the dedication of The William A. Paton Center for Accounting Education and Research which is the newest addition to the physical plant of the Business School. Many in the audience had given major contributions to make such a building possible. The 1.2 million dollar structure is being funded entirely by private donations, including gifts from partners and managers of accounting firms, corporations, alumni and friends of the Business School.

The new building, which is an important link in the developing Business Administration quadrangle, contains 14,000 square feet and includes case discussion rooms, seminar and conference rooms, research and publication offices, doctoral carrels, and the Paton

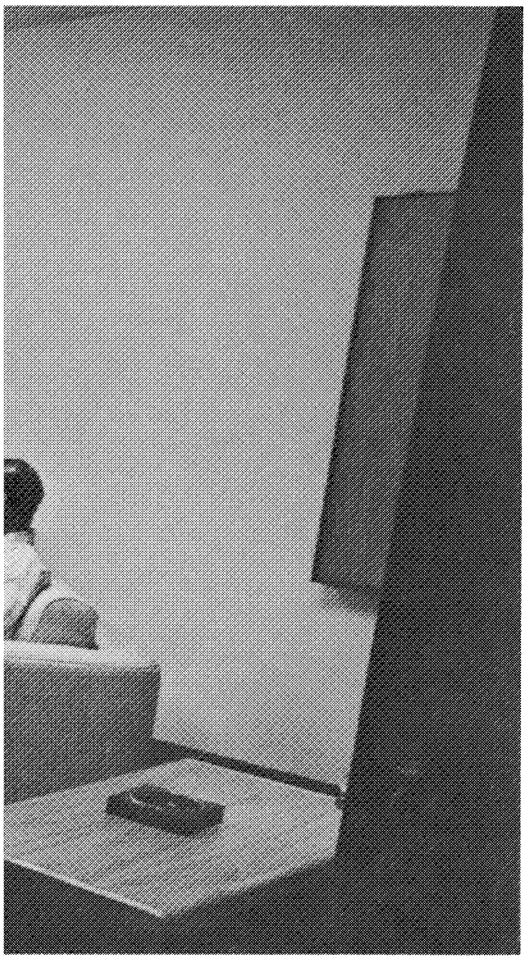
Photos by Virginia Geren

Above, four members of the accounting faculty relax for a few minutes in the Paton Archives room of the Paton Accounting Center. Below, T. Kenneth Haven, adjunct professor of finance (left) and Michigan Benefactors Chairman H. Glenn Bixby unveil the bronze sculpture of Paton that hangs in the Paton Archives room.



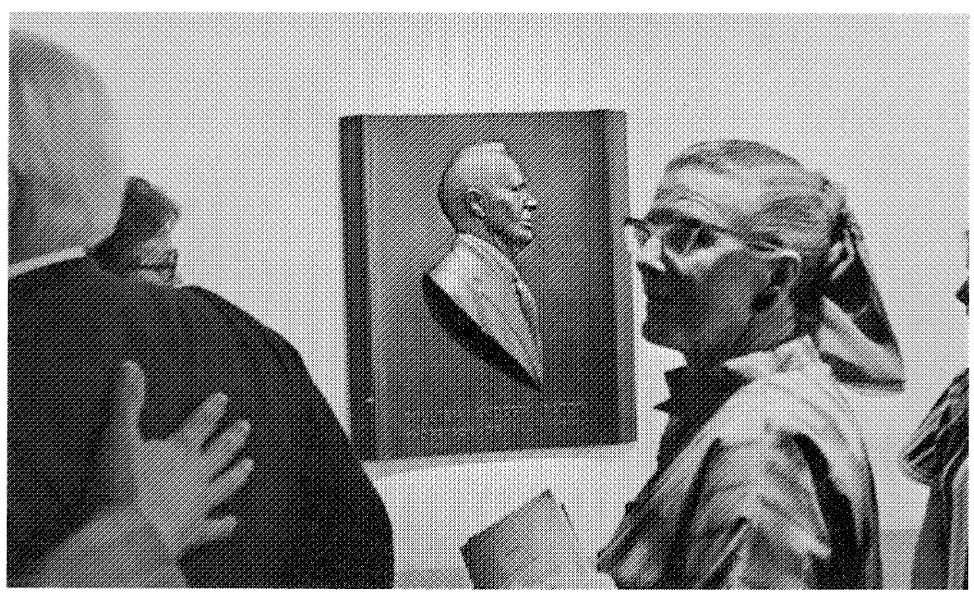
Archives. Paton, who recently celebrated his 86th birthday, is the author of 20 books and hundreds of articles. He is known internationally for his work in accounting theory and on campus as a gifted teacher of more than 20,000 students during his 40 years as a professor here.

Several speakers and a surprise were featured at the dedication ceremonies, which were presided over by Dean Floyd A. Bond. The speakers were Wilbur K. Pierpont, vice-president and chief financial officer of the University, who discussed private support for University facilities; Sidney Davidson, former Dean of the Graduate School of Business at the University of Chicago and currently professor of accounting there, who spoke on "The Future of Accounting"; Don Skadden, U–M professor of accounting, who discussed accounting at Michigan, and Walt Kell, U–M professor of accounting, who gave a heartfelt tribute to Paton. "Why is

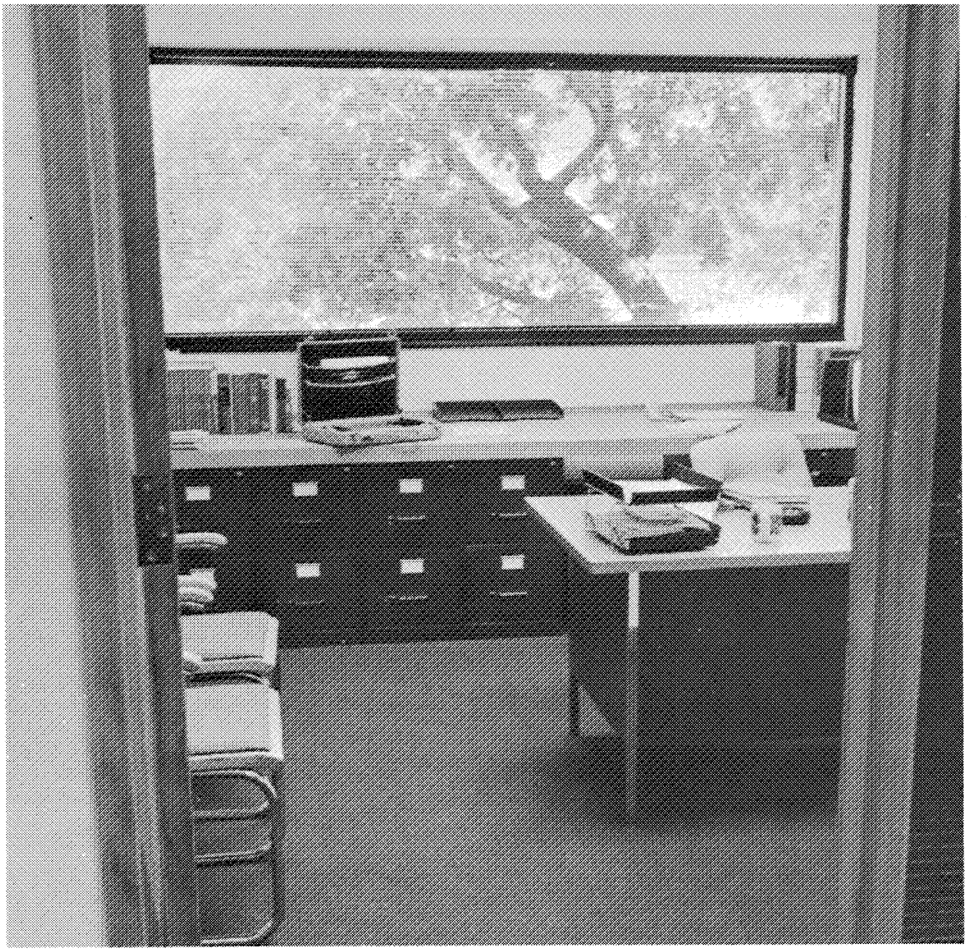


Above, faculty and guests talk for a few minutes before the dedication ceremonies begin. From left to right, foreground, are: Wilbur K. Pierpont, vice-president and chief financial officer of the University of Michigan and professor of business administration; Donald C. Cook, general partner in the investment banking firm of Lazard Freres & Co., and formerly chairman of the board of the American Electric Power Company; Dean Bond, and Professor of Accounting Walter G. Kell. In the background are Professor of Accounting Donald H. Skadden (left) and Frank H. T. Rhodes, U–M vice-president for academic affairs.

Below, the bronze sculpture of Paton was admired by many in the crowd on dedication day. Pictured here is Mrs. Eugene Power, wife of Eugene Power, former regent of the U–M.



Bill Paton so special?" he asked. "What is it about this man that makes him so unique? We may differ as to the reason, but there won't be any disagreement that he is indeed one of the most special persons that any of us has ever known. To the world, Bill is an eminent accountant, economist, author and teacher, but we're able to add affection, friendship and love for this truly remarkable man." To which Paton replied, during the course of his speech which followed: "I've been practically crying here as I heard some of these tributes and things, especially Walt Kell really outdid himself there I think. A man playing third base really ought to be a little more hardboiled than that, Walt." Then Paton proceeded to reminisce, to give salty opinions on textbooks, education, teaching and single entry bookkeeping, and generally to delight his audience with his lively remarks and still vivid personality. (Said



A typical office in the Paton Accounting Center.

Walt Kell in introducing Paton:, "There is a rumor going around that Bill has mellowed. Don't you believe it!")

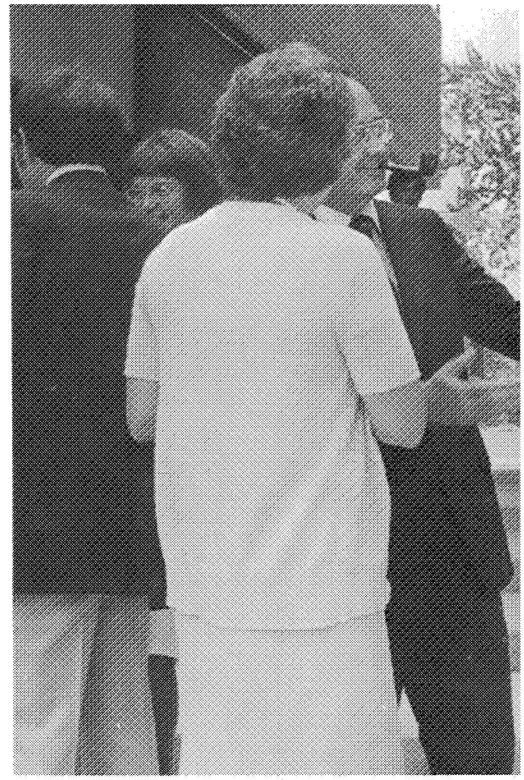
When Paton had finished speaking, Kell returned to the microphone to announce: "It's surprise time in this auditorium," and went on to explain that the first case discussion room in the Paton Accounting Center will honor the name of Professor Emeritus Herbert F. Taggart. To resounding applause, a thoroughly surprised Taggart came to the front of the auditorium to be presented with a bronze plaque bearing his name which will be placed outside the case room.

Dean Bond then presented Paton with a key to the building, and everyone adjourned to the building itself to watch Paton cut the ribbon at the entrance. People then toured the building, and particularly admired the Paton Archives room with its comfortable overstuffed chairs, a beautiful view of the courtyard outside, and a bronze bust of Paton himself. It was here that Paton sat and received congratulations from his many friends who were there that day.

Accounting at the University of Michigan has come a long way since a young redhead by the name of Bill Paton took a course in accounting from David Friday in 1912. From 1971 to the past school year—in the face of increased entrance standards, increased tuition, and a University "no growth" policy, accounting class registrations have increased 60%! Michigan BBAs and MBAs in accounting are in great demand, and continue to command starting salaries substantially above the national averages.

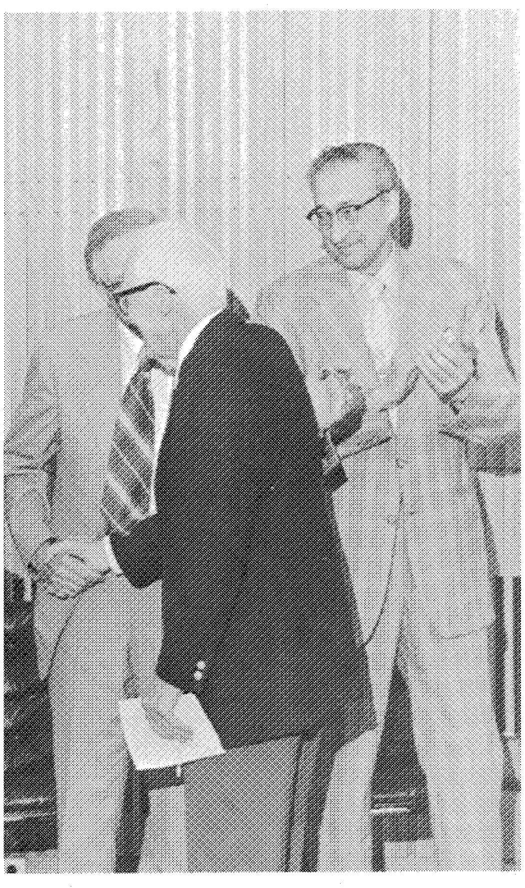
During the past three or four years, the MBA required accounting courses have been substantially restructured, and elective offerings have been significantly increased. A series of tax courses has been initiated, and students may now earn an MBA with a concentration in financial accounting and taxation.

It should also be noted that



Top of page, Professor Emeritus of accoun
chats with friends right after the dedication

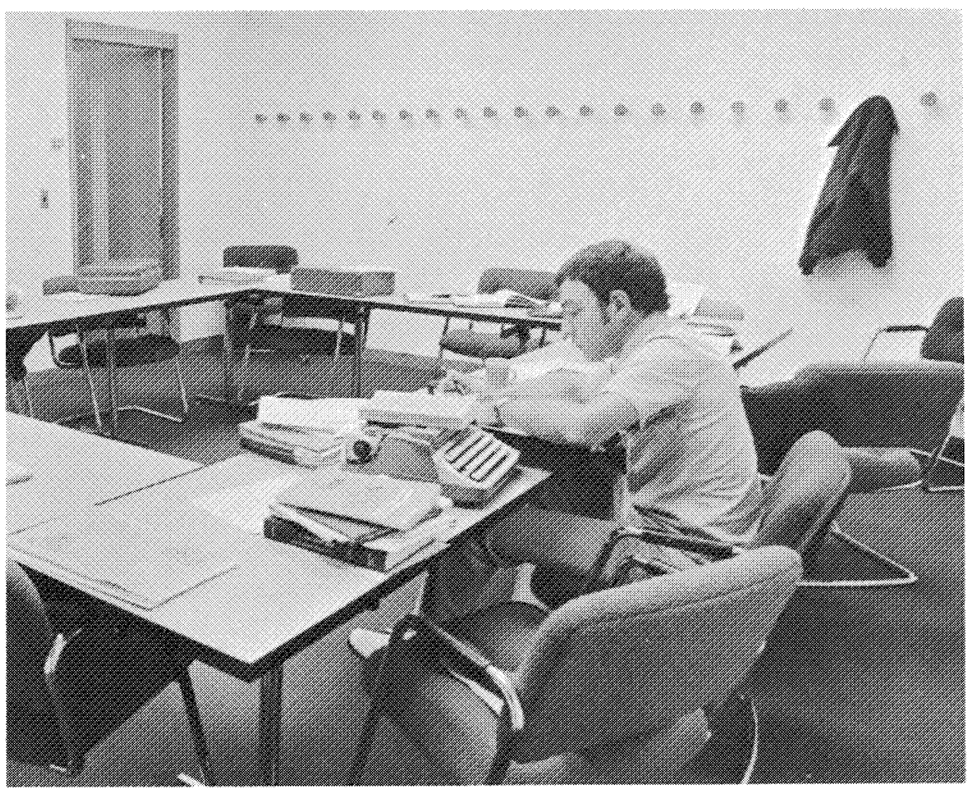
Above, Sidney Davidson (second from left)
teacher, William A. Paton. Davidson, who
accounting in 1950, was among the featurec
Professor Skadden (left); Wilbur K. Pierpo
the University (third from left) and Dean I



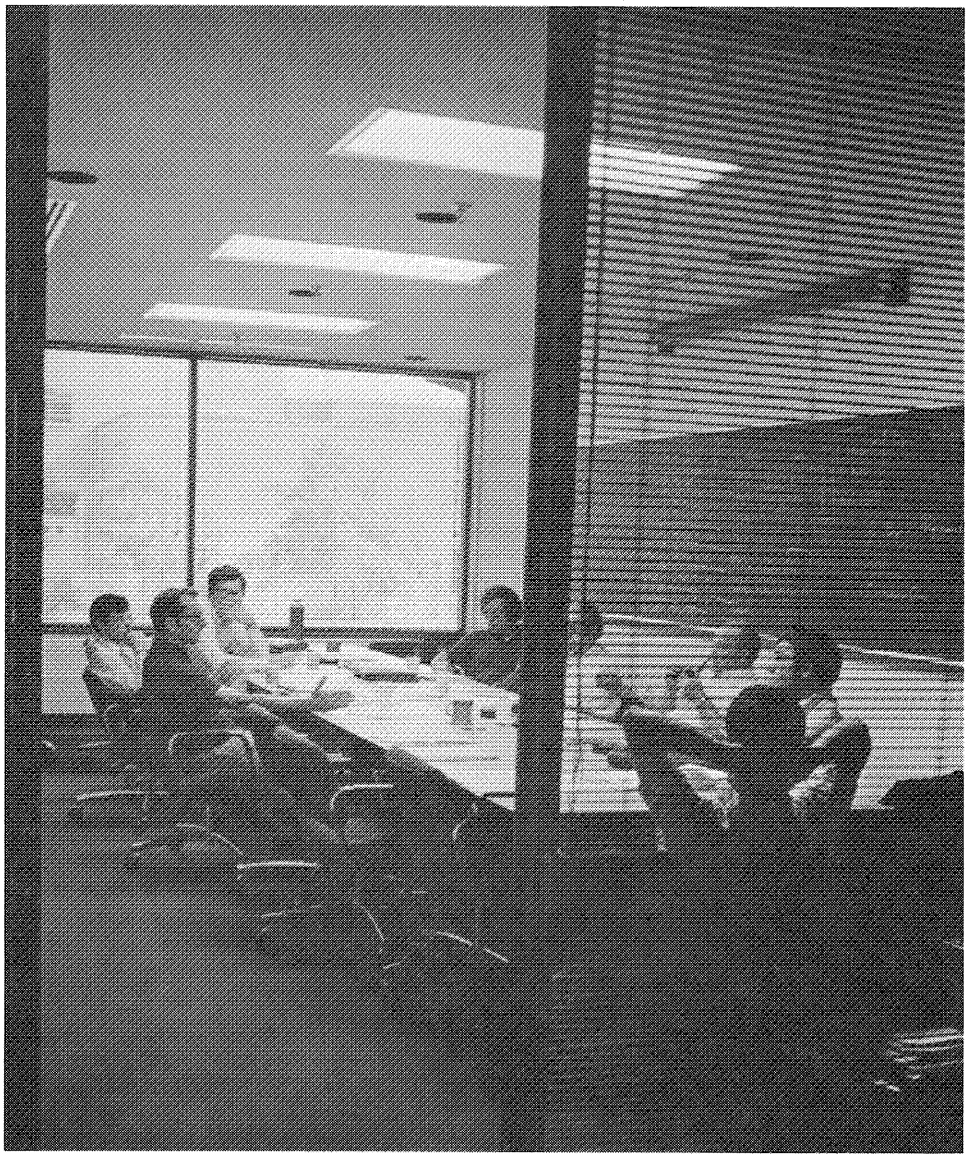
Professor of Accounting Donald H. Skadden in the Paton Center Director's Office.

g Herbert F. Taggart (second from right)
remonies.

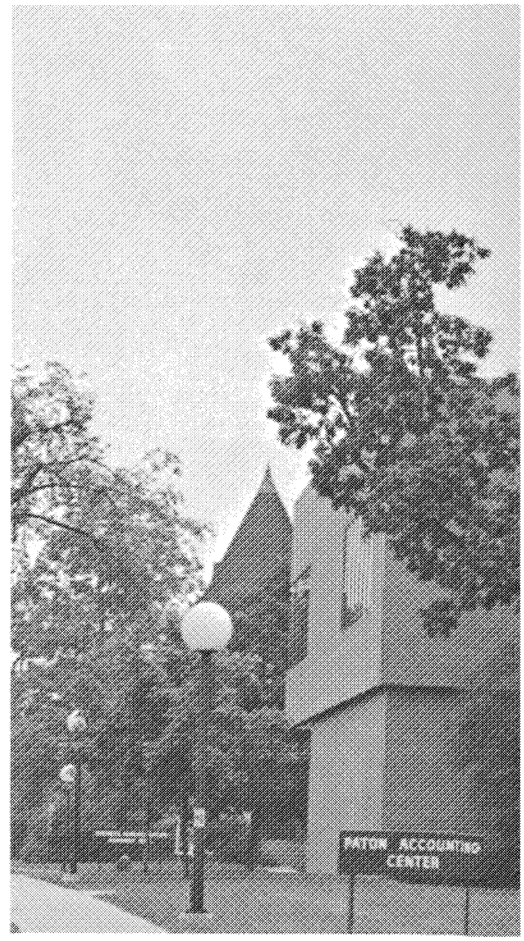
epares to shake the hand of his former
eived his Ph.D. from the U–M in
eakers at the dedication ceremony.
vice-president and chief financial officer of
d look on.

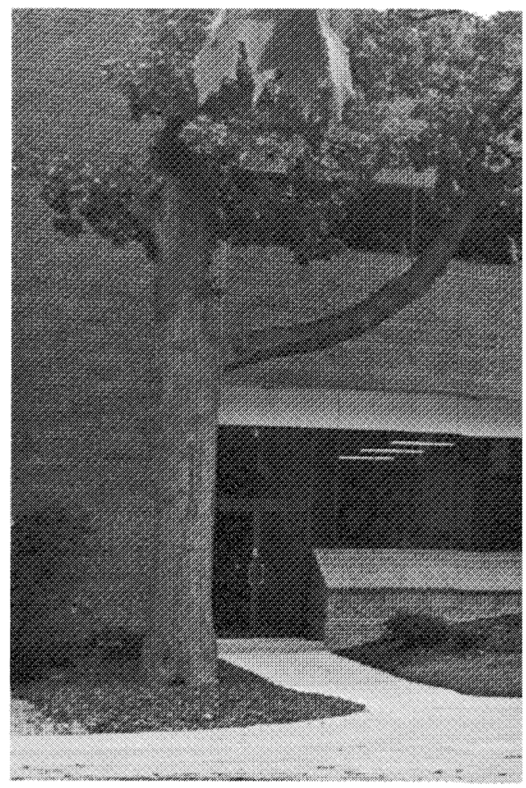


Associate Professor of Accounting Earl C. Keller works in the second floor conference room of the Paton Center on the first research project of the Center (see page 6 for a report on the project).



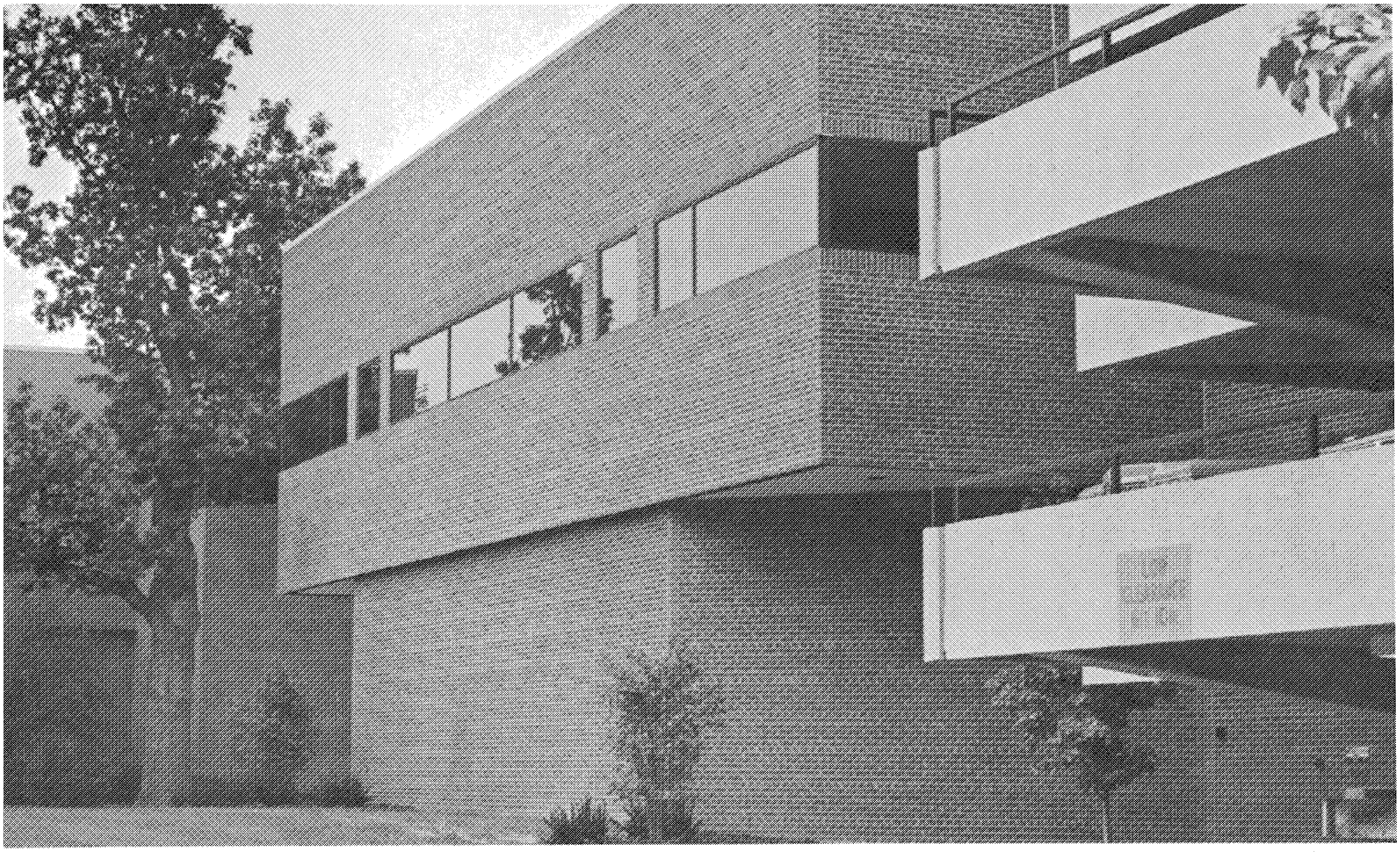
The accounting faculty meets in a seminar room on the first floor of the Paton Center. Through the window you can get a glimpse of the courtyard outside.





students in the accounting Ph.D. program this spring—in competition with the largest nationwide group of Ph.D. candidates in history—won two Arthur Andersen Fellowships, one Ernst & Ernst Fellowship, one AICPA Fellowship, and two American Accounting Association Fellowships! It is extremely rare, if not unprecedented, for students in any one school to receive that many awards in one year.

The new Paton Accounting Center will allow accounting research and accounting education at the Business School to be developed, intensified, and expanded. One Paton Center research project conducted in cooperation with the firm of Coopers and Lybrand already promises to be a significant contribution to the field of municipal accounting. *(See page 6 for more on this research—Ed.)* In continuing education, the Paton Accounting Center has inaugurated a series of one day update sessions in auditing, tax, and financial accounting. Also, a summer tax seminar is being developed that will run two to four weeks and will be offered on a continuing basis starting in the summer of 1977. Other Paton Center activities will include a series of Paton Lectures and a program of Paton Visiting Scholars.



Above, a view of the Paton Center from the courtyard. To the right of the picture is the entrance to the Assembly Hall. To the left of the building, but not shown in this picture, is the Hill Street parking structure.

At top of the page, a view of the Paton Center from Hill Street, showing the Hill Street parking structure, the Paton Center, and, on the other side of the oak tree, the Assembly Hall building.

From the Archives

The Relin

A Story Written in 1913

Introduction—My 1913 Story—

Rescued by Taylor

A year or so ago I was commissioned to accumulate personal materials that might be appropriate for inclusion in an "archives nook" in the "William A. Paton Center for Accounting Education and Research." I've long since discarded or given away many books, files of periodicals, correspondence, and so on, but I found that I still had quite a stack of personal printed material, as well as pictures, diplomas, awards, manuscripts, memoirs, records related to consulting work, and the like, both at my office, Room 808, and at home. I've spent many hours selecting and classifying, and still haven't finished the job. At times I wonder if the project is worthwhile. Will anyone be interested in looking at or studying such materials?

It was my impression that I had retained none of my papers written in my college days prior to the first piece I had in print, in 1915, on the subject of the business cycle, included in a book of readings prepared by one of my teachers, Walton Hamilton. But to my surprise, while rummaging through my pictures and papers at the house, I came across a copy of a tale I wrote back in the summer of 1913, while taking a course labeled "The Short Story" given by Professor Rankin of our old "Rhetoric Department."

This department, I should perhaps explain, was devoted primarily to English composition, elementary and advanced, and was widely recognized as an outstanding center for the training of writers. A few years later, after the retirement of Professor Fred N. Scott, its noted chairman, and several of his associates, "Rhetoric" was merged with another unit, devoted especially to English literature, and the result—in my judgment—was a marked decline in the stress on writing, and in the prestige which Michigan had long enjoyed in this field.

A major requirement of Professor Rankin's course was the writing of an original short story, to be handed in for review and grading at least a week before the last class meeting. I recall being greatly worried about this requirement. There were more than sixty enrolled in the course, and a majority were graduate students, a few of whom had already published one or more stories. I was an undergraduate, finishing my junior year.

At the last scheduled session, per an earlier announcement, our professor read to the assembled class the story submitted that he regarded as the best. Imagine my utter amazement when he read my tale! I could hardly believe my ears! Following the reading, Professor Rankin made some critical comments about my style, and my wording at specific points, but his overall appraisal was very favorable. He didn't recognize that there was no such thing as a "Travian retort" or that "Djanid's *Occult Science*" was a purely imaginary treatise.

On rereading my old yarn after more than sixty years I must admit that I found it not bad, considering my callow status back in 1913. I show some signs of a fairly good vocabulary and my composition is commendable in spots. Why I ventured into chemistry and physics for atmosphere I can't say. I had had elementary courses in such subjects as physiography, botany, and physiology, but only one year each of college chemistry and physics. The fact that my brother and brother-in-law were physicists may have had a bearing. I credit myself with a prophetic touch in directing attention to atom-shattering, as I don't recall encountering any discussion of this subject in my classes or reading. In my chemistry course there was much interest in molecules and atoms and I remember my teacher comparing the molecule with its collection of atoms to a "church with a handful of bird shot rattling around in it." But he said nothing, I'm quite sure, about the possibility of breaking down the atom.

I suspect it was my rather bizarre plot that caught Professor Rankin's eye, and led to his selection of my story as the best submitted. And I believe the idea that came to me when I was struggling to get started on the required story can be attributed to a personality quirk, a weakness, to which I catered in my early years. As a youngster I had a strong leaning toward the morbid,

quishment

by William A. Paton

the weird, including what Poe calls the "preternatural." I was fascinated by Poe's stories, and recall reading his "Cask of Amontillado" and several other of his horror yarns, two or three times. I also sampled Ambrose Bierce and other writers with a gift for dealing with the mysterious and macabre.

To say that I was elated by my wholly unexpected triumph in Rankin's course would be putting it mildly. I walked on air for hours and started daydreaming of a career as a short-story writer. Fortunately, as I see it now, in the fall semester of 1913–1914 I elected an advanced course in economics taught by Fred Manville Taylor, for many years in charge of the undergraduate program in principles as well as the graduate work in economic theory, here at Michigan. (In those days a senior in good standing had no great difficulty in securing permission to enroll in a course designed primarily for graduate students.) Professor Taylor was an outstanding scholar, a master logician, and a truly great teacher. He had no use for sloppy, half-baked, or mystic views in any field, and under his influence I soon recovered from my yen to become a writer of weird tales, in the Poe tradition, came back down to earth, and decided to specialize in economics. Professor Taylor became my revered mentor, and I credit him with being basically responsible for such success as I've achieved as a teacher of economics, and—as time went on—of accounting and finance. To the best of my ability I have followed in his footsteps in devotion to careful, consistent inquiry and presentation. "Logic and expediency are seldom at odds" is the only aphorism I ever coined worth quoting—and I still believe this statement holds, at least for the long pull.

Being logical means about the same thing as being reasonable, thinking clearly, not permitting emotion and personal problems to invade the mind and cripple judgment. The essence, in short, is mental integrity.

It occurred to me that former students of mine, many of whom receive *Dividend,* might be interested in reading my old 1913 short story, especially by way of noting the contrast between the Paton who could concoct such a crazy yarn, and the Bill Paton they encountered in the classroom, and through the textbook material and problems he assigned. Here it is:

THE assistant-professor of chemistry sat motionless in the half-gloom of his bachelor apartments. The droop of his head, the sag of the thin shoulders—every line of his attitude denoted utter weariness. The subdued light of his student-lamp revealed in indistinct outline the furnishings of the room. As there was something unusual about the inert figure in the chair, so was there something quaint and unusual about the entire apartment. The furniture was plain, but noticeably heavy, ponderous. Sectional oak bookcases flanked one entire side of the room. They contained for the most part works on chemistry and other scientific treatises. Some of the volumes showing the hardest usage were by obscure Persian and Hindu writers, and bore unintelligible titles. To the left of the table a massive desk loomed bulkily.

A beautiful vase, standing on the table beside the lamp, was the only thing in the way of ornament or decoration in the room. It was of curious oriental design, richly carved and polished, and its irregular dark-green surface reflected the soft light like the facets of a diamond. A cluster of large white roses filled the vase, and the air was permeated with their redolence. The vase and its contents added a touch of incongruity to the plain severity of the rest of the furnishings. They seemed altogether foreign to their surroundings. Aside from the scientific books there was nothing to suggest the calling of the owner. There was a closet-like compartment opening on the back of the room however, wherein, one could easily imagine, were stored the retorts, crucibles, and other articles employed by the modern alchemist.

The assistant-professor stirred uneasily in his chair, and a scarcely-audible sigh escaped his lips. Standing up, he crossed quickly to the table and with almost feverish haste buried his face in the roses and inhaled luxuriously of their fragrance. His hand fell on a sheet of delicately-scented note paper lying on the table; he started visibly, and picking it up scanned it for a moment. A look

"The vase and its contents added a touch of incongruity to the plain severity of the rest of the furnishings."

of intense longing mingled with despair came over his thin face. In his deep-set eyes smouldered the fires of fearful mental struggle. He stood a moment, and then with an impatient gesture picked up a book lying open on the table and dropping into his chair he began listlessly to turn the pages. It was a copy of Djanid's *Occult Science*. His glance rested on the chapter entitled: "The Composite Entities of the Human Soul"; and he became absorbed in reading.

Through the half-open window a soft breeze filtered. Without, the streets were steeped in the blackness and silence of the late night. The street lights shone but faintly through the murk. The distant sounds of revelry that came from O'Carney's cafe, far to the right, served but to intensify the sombre stillness. The light of the shaded lamp fell dimly on the wan and almost ghastly thinness of the reader's face. It showed the large blue veins which traversed the intellectual forehead; and it revealed the sheen of premature gray at the temples. It played upon the changing shadows of his dark eyes, eyes full of passion, of determined purpose, but eyes that were tired and had in them almost a fevered glint.

The assistant-professor of chemistry was a young man, and should not have had tired eyes and graying hair. Six years before he had come to the University a healthy youth, normal in all perhaps, save that he possessed a super-sensitive mind. An ardent student of the physical sciences from his boyhood, at college he became deeply interested in chemistry. The well-equipped laboratory was his delight. He began to burn with the desire to explore farther into the mysteries of nature as revealed through this science. He longed to peer into those hidden recesses of knowledge, to delve and search in those uncharted fields hitherto practically untouched by the mind of man. For no one can really study this wonderful branch of science without feeling how entirely upon the surface his knowledge and his investigations extend. He feels that he is but skirting the edge, as it were, of a great sea of discoveries awaiting the master mind which shall unravel the meaning of its vast expanse. So it was with this man, and when the opportunity of an assistant-professorship at the University came to him, he eagerly accepted; for now he could be near his beloved laboratory, and pursue an investigation he had long been contemplating.

And now for two years he had worked as only a man with tremendous inherent energy could work. When he was not attending to his regular duties he was constantly in the laboratory. He grew to love that room, and the very apparatus with which he worked. At times his interest in some vital stage of his experiments became so intense that he scarcely ate or slept. The grey dawn of many mornings found him, after a night's arduous toil, still working. Work, work, work—it became an obsession, almost a mania with him. And little by little the normal man was disappearing. The intense spirit of scientific research was proving a virus in his blood that was slowly transforming the very warp and woof of his being. Bit by bit, his old self was being replaced by this new creature, mad with the thirst for knowledge. It had seized his innermost being; the very soul of the man seemed no longer his own. The ordinary activities of life no longer held any interest for him. He was so thoroughly absorbed in his one overwhelming purpose that all else seemed to him utterly insignificant. At first his friends endeavored to remonstrate with him, but he gave scant and impatient attention to their suggestions, and they soon learned to leave him to himself. Even his professional associates began to shun him. "Jevons is becoming a scientific fiend," they said. Sometimes they would speculate as to what had become of the wholesome man they had known four years before.

A month ago the senior professor had said to his assistant: "You look fagged out, Jevons. I'm afraid you are overdoing. Better take a rest for a couple of weeks." His tone was kindly. The assistant-professor was intensely irritated. He scarcely deigned to reply, and walked away without noticing the curious glance of his superior. They did not realize the importance of his work, he thought, the discovery he would soon give to the world.

But as he walked to his lonely rooms that same evening, he thought of what the senior professor had said, and he thought of many things which he had not considered for long months. He thought of the romp and play of his schoolboy days, of the swimming and fishing, of the ball games and all the old wholesome life. He thought of his friends of early college days—where were they all now? And the realization of how utterly withdrawn he was from the old, happy, spontaneous life came to him keenly for the first time. He realized his isolation with bitterness of heart. How puerile and insignificant was his life after all! And how important were the normal joys and activities of human existence!

And now these last few weeks had seen a complete revulsion of feeling in Jevons. Formerly he had taken keen delight in his study and every minute spent away from his work seemed lost to him. Now his truest self loathed it. He had awakened at last to the fact that his real manhood was becoming submerged; and his old buoyant, natural spirit was now struggling to reassert itself. But he could not break away. The spirit of the "scientific fiend" dominated him, and although he now felt the chains that held and galled him, he seemed helpless to break their powerful clasp. The joy in his work was gone; he was driven to his task. He wanted to tear himself free, but he lacked the power to do so. He felt himself a slave in the clutches of some being distinct from himself which drove him on and on. Harder and harder he worked; like a man caught in the merciless toils of the quicksand, he struggled only to become more surely enmeshed.

But there was one friend who had remained true, and to whose helpful inspiration the assistant-professor owed much, and on this night as he sat lonely in his room it had come to him that he must lose this last friendship.

Continued next page

But no, he would break away from the bonds that held him fast and live first of all a man's life! But his scientific spirit protested that at last his great experiment seemed to promise wonderful success. He had long held the theory of the unity of source of all matter. During his second year in college he had accomplished what no one had ever done before him: From pure copper he had obtained traces of lithium and barium, two of the so-called elements, by a series of delicate experiments. His present situation was undoubtedly due in a large measure to the importance of this discovery. And now he felt that he was on the eve of the final solution of the ultimate source of matter. He had evolved a process which he believed would shatter the atom into its original, primal elements—a process which would dissolve the power of that tremendous energy which has proved itself stronger than even the mighty inter-atomic force which coalesces the atoms into molecules. Think what this discovery was going to mean. It meant the solution of the ancient problem of transmutation; it meant the liberation of an energy a thousand times as powerful as dynamite!

The assistant-professor had laid aside his book and was pacing feverishly back and forth. His brain seemed almost consumed by the fierce mental struggle that possessed him. Black shadows began to dance thickly before his eyes. The shadows merged and blackness enveloped him. He felt himself falling through eons of time and space. With an intense effort he forced his clogging brain back into action, and the objects in the room were again indistinctly focused by his blurred vision. He recalled hazily that he had eaten nothing that day and had slept little for many nights.

Suddenly he felt calm, steady. Determined purpose had come to him. He would not suffer so; he would go now and destroy the results of his months of toil—destroy the results of his great experiment, now so near completion. And with this resolution the load that had so long sat on his soul seemed lifted. He felt himself again a man, a free moral agent, and fierce joy flamed in his heart. He would go at once and tear down his apparatus, smash the crucibles and tubes that contained the results of all his work.

He took a key from his desk, extinguished the light, and crept softly down the stairs and out into the quiet street. The darkness and silence of the late night were oppressive. The street lights had gone out; but the assistant-professor turned campus-ward without hesitation, and walked along briskly. He was too intent on his purpose to notice that he had on his felt lounging slippers, whose surfaces sounded on the pavement like the footfalls of some large jungle animal.

The grey walls of the chemistry building loomed through the darkness before him. After a moment's fumbling his key turned the lock in the outer door. Inside, the hall was steeped in the silence of the grave. The assistant-professor turned into the corridor, and stopped, amazed—a light shone under his laboratory door. And he could hear someone softly at work within.

Who could be here at this hour? Who was at work in there? Why did the thought of what lay beyond the double oak doors fill him with fear—for he was afraid. Cold fear gripped his heart, and his knees trembled under him. And still the ribbon of light shone clearly, intensifying the darkness of the outer hall where the assistant-professor stood shivering. It seemed to his excited imagination that some terrible danger lurked in that lighted room. The very silence seemed a living presence which held him in an intangible grip.

There was a sound of clinking glass within. The assistant-professor pulled himself up, walked to the door, turned the knob, and entered.

The figure of a man was seated at a table, his back toward the door. His deft fingers were busy adjusting a huge Travian retort, in which an amber-colored liquid was boiling. As the assistant-professor entered, the figure turned toward the door.

The sight was to Jevons as if he were looking into a mirror. The face at the table was his own face; the hands, his hands; the figure, his figure. The assistant-professor shuddered as if the icy hand of Death had gripped his brow. The room swam before his reeling eyes.

The face staring at him was calm, sardonic. The assistant-professor heard a cool voice say:

"To what do I owe this unexpected intrusion." It was his own voice, pregnant with chill formality, yet not his. The voice went on evenly:

"*I* am Harold Jevons; this is *my* laboratory. You who would have abandoned your great work are an outcast; you are an interloper, an intruder here. You have no identity." The voice had risen slightly.

The face by the table had changed now. It was no longer cool, sardonic; it was contorted with malignant rage; the staring eyes glared madly.

"Why did you follow me here? You are in my way. Begone!"

The assistant-professor could see only that malignant face staring into his. It seemed much closer now. Blind ferocity flamed up in him. So this was the being who had tortured him; this was the creature who had possessed his soul, and who, when cast off, had assumed his whole personality!

The figure at the table had turned again to its work, apparently oblivious of the other's presence. The assistant-professor chuckled horribly. A naked scalpel lay on a table. He seized it, and with a stealthy spring was upon the other. There was a wild mad shriek! The keen blade was buried to the hilt!

* * * *

The bright sunlight of the early morning filtered through the dusty windows. It sought out the farthest corners of the room with its insistent, exploring glare. It danced cheerily on the tubes and retorts, whose fantastic shadows sprawled lazily on the walls. Huddled on the tiled floor lay the figure of a man. A red stain spread itself from the head to the plush slippers on the cold feet. A blood-stained scalpel was still clenched in the outstretched hand.

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.

Applications to B School Increase Over 50% in the Past Two Years

"We are expecting over 2000 applications next year for 350 positions in the MBA program," reports James B. Ardis, director of admissions. "This reflects a continuing increase in the popularity of MBA programs nationally and follows an increase of over 50% in our applications over the past two years." Ardis notes that the applicant group includes increasing numbers of minority students and a dramatically higher proportion of women (more than 20%) than was typical just a few years ago.

Ardis, who currently serves as Chairman of the Board of Trustees of the Graduate Management Admission Council (a group of 42 graduate schools of management from all over the country), reports an increase of 12% nationwide in registration for the Graduate Management Admission Test. This comes on top of a 25 percent increase a year earlier, when 128,538 aspirants took the test. "While this growth is smaller than that experienced by our own school," says Ardis, "it is indicative of the broad growth in popularity of graduate education for management careers."

How Much Is the MBA Worth?

According to an article in New York Magazine, the MBA degree can start you off earning $4,000 more per year than your bachelor degree counterpart, and $2,000 more than someone holding a nonbusiness or nonengineering master's degree. The magazine reported that the highest starting salaries for the current year will be received by MBA graduates of Harvard, Michigan, and Stanford. According to a survey conducted by American Management Associations, here's what 456 companies paid 5,828 new college graduates last year.

DEGREE	ANNUAL SALARY
Bachelor's	
Science	$9,700–12,200
Business	9,800–11,000
Liberal arts	9,800
Engineering	8,100–13,800
Master's	
Science	11,000–14,400
Business (other than MBA)	12,100–15,300
Liberal arts	10,800
Engineering	13,000–15,900
MBA	
With nontechnical bachelor's degree	15,000

This year, salaries of MBAs are expected to be 5 to 8 percent higher than in 1975.

Placement Figures Indicate Strong Demand for Graduates of Michigan Business School

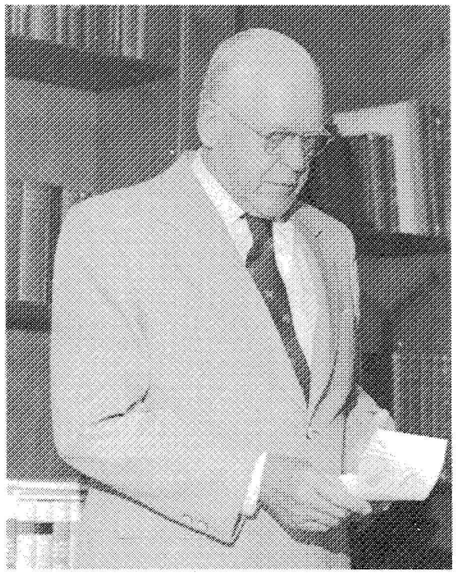
Preliminary figures on salaries accepted by MBA graduates of the Business School this year indicate a salary range of $11,000–$40,000, with an average of about $18,000 for the class, according to James H. Klee, director of placement. He points out that about half of our MBA graduates are experienced, and adds that 25% of the people accepting jobs through the placement office accept less than the highest salary offered. Why is that? "Because short-term salary," explains Klee, "is not as important as the long term effects of job satisfaction and potential for future advancement."

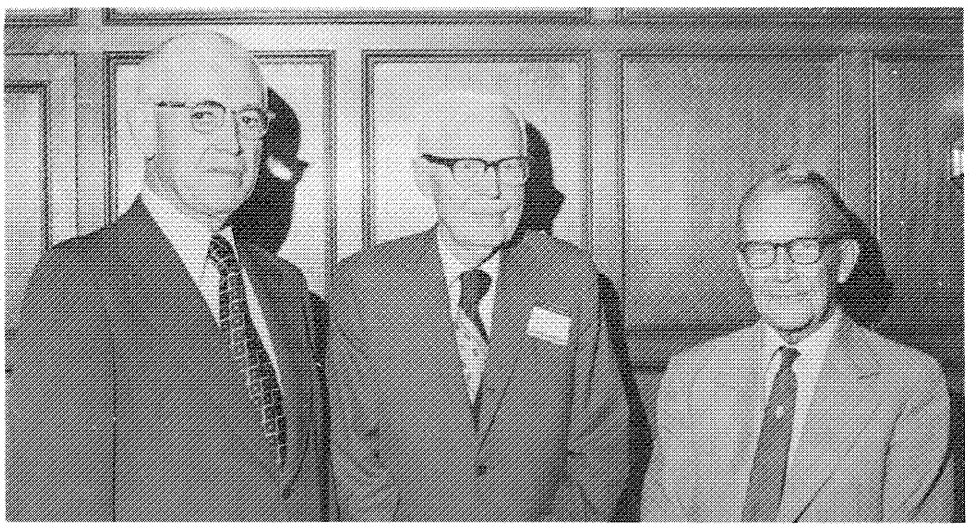
This spring, 285 MBA candidates and 154 BBA candidates registered with the Placement Office. The average student participated in initial interviews with 12–14 organizations, including an average of three firms not recruiting through the Placement Office. The class averaged approximately three job offers per person, with some individuals ranging as high as eleven offers. Almost 6,000 employment interviews were conducted by 265 organizations during 376 visits to the Business School.

Entry level positions accepted by May, 1976 graduates were quite varied, with the largest number of graduates accepting positions in

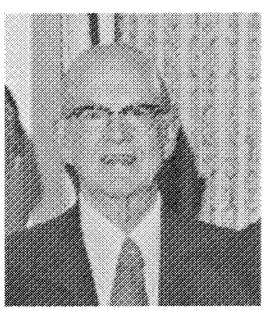
Continued on page 26

Below, David S. Touff of Denver, Colo. and right, Merwin H. Waterman, who joined the Business School faculty after graduation.





Left to right, Robert P. Briggs, who became professor of accounting, vice-president, and a regent of the University; William A. Paton; and Francis E. Ross, who taught the first class in the School on September 23, 1924.



Above, Millard H. Pryor. Right, Clare E. Griffin, member of the first faculty of the School, Dean of the School from 1927–1944, and distinguished professor from 1944–1962.

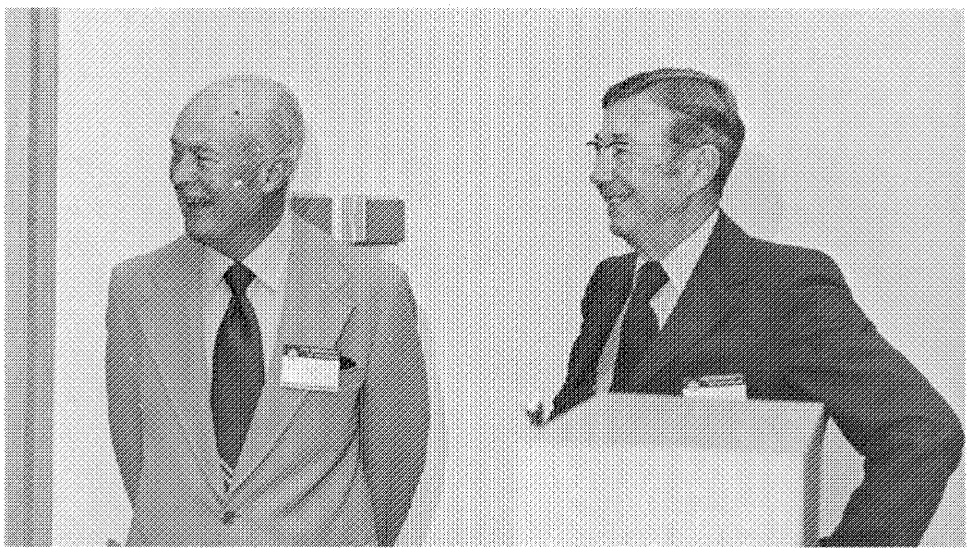
Fiftieth Reunion!

More than half the members of the first graduating class of the Business School were able to attend the 50th reunion of the class held this spring in Ann Arbor. In addition, five of the six living members of the first faculty of the School were also able to attend the reunion. They are Clare E. Griffin, William A. Paton, and Margaret E. Tracy. Two other professors at the reunion are less known to our graduates. One of these is Francis E. Ross who taught the first class in the school on September 23, 1924, one in accounting. Later he went into public accounting with Ernst & Ernst. The other is Carl N. Schmalz who went back to Harvard after a few years at Michigan, taught there for about a decade, and then became associated with a department store (R. H. Stearns) in Boston with which he spent the rest of his professional life. The faculty member who could not attend is Professor Olin W. Blackett. Most graduates will remember him as a very good instructor in the field of statistics.

There were thirteen people in the first graduating class in 1926. Three of these were orientals with whom contact has not been maintained. Of the other ten, Harry A. Mitchell, a professor of marketing at Tulane University and Alois J. Chronowski, a banker in Hamtramck, are deceased. Seven of the other eight graduates were at the reunion. They are F. Bradley Case, an investment consultant and financial adviser; Ralph E. Johnson, a retired manufacturing company executive; Bernard A. Nagelvoort, also a retired manufacturer but one with many other professional interests; A. Petrellis Perry, a Detroit lawyer, who now lives in Athens, Greece; and Booker T. McGraw, who has held many positions in the housing

Left, Margaret E. Tracy and Carl N. Schmalz, both members of the first faculty of the School. Below, A. Petrellis Perry (left) and Ralph E. Johnson.

Below, D. Maynard Phelps, 1926 class member who joined the faculty.

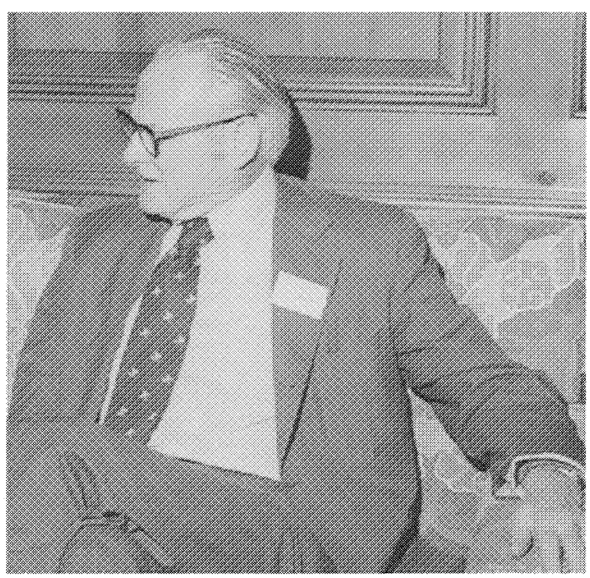


F. Bradley Case, investment consultant and financial adviser (left) and Bernard A. Nagelvoort, a retired manufacturer, both members of the class of 1926.

Left to right, Mrs. Robert (Maxine) Briggs and Mrs. D. M. (Mildred) Phelps.

agencies in the federal government. Two other members of the 1926 class are D. Maynard Phelps and Merwin H. Waterman who joined the faculty after graduation in marketing and finance. Both served the university until retirement a few years ago. Three other people who started with the class in 1924 are Robert P. Briggs, who took his M.B.A. in 1928, and later became professor of accounting, vice-president, and a regent of the University; Millard H. Pryor, a retired manufacturing company executive; and David S. Touff, a retired department store executive in Denver.

Photos by Virginia Geren



Marvin L. Niehuss, former executive vice-president of the University.

Booker T. McGraw, class of 1926.

Among Ourselves
Continued from page 23

commercial banking, corporate finance, investment banking, management consulting and public accounting. About 95% of the class had accepted employment as of July 1st, and about 70% of the graduates accepted positions with large organizations.

David L. Lewis Writes Book on the Public Image of Henry Ford

A 600 page book entitled "The Public Image of Henry Ford: An American Folk Hero and His Company" ($25.00 Wayne State University Press) has been written by David L. Lewis, professor of business history at the Business School. Pulitzer prizewinner Allan Nevins has called the book "the best study in industrial public relations I have ever read. Not only is it thoroughly scholarly . . . it is so well written and so colorful that it will hold the attention of the general reader while it satisfies the special student of business history and public opinion."

The book, 19 years in preparation and based on primary research in the Henry Ford Museum's Ford Archives, is both a biography of Henry Ford and a public relations and advertising history of the Ford Motor Company.

Ford's popularity and influence grew out of a myriad of activities and a torrent of publicity, much of it self-generated. Thus Lewis's book delves into every corner of the magnate's life. Lewis himself spent 15 years as a Detroit newspaperman and automotive public-relations representative for Ford and General Motors before getting his Ph.D. and going into teaching. The hefty volume he has written has more than 1300 footnotes citing thousands of sources. It also contains more than 100 pictures on Ford and the sources of his publicity.

Public Finance Institute Offers a Mix of Theoretical and Applied Knowledge

"The format of a mix of theoretical and applied experts could hardly be improved," wrote one of the 55 participants in the third annual Public Finance Institute held this summer at the Business School. "The timing and scheduling of their interaction was excellent and the caliber of faculty and experts was first rate."

The Public Finance Institute, co-sponsored by the Securities Industry Association, the Dealer Bank Association and the Graduate School of Business Administration at the University of Michigan, is designed for professionals and managers in public finance. Some of the objectives of the Institute include 1) to enhance understanding of what effect business and economic forces have on securities markets; 2) to develop an awareness of how municipal and governmental bonds are analyzed, and 3) to broaden the understanding of the financial tools used to evaluate issues and of the financial structures of the firms that allow the issues to be marketed.

The ten day long program is divided about half and half between academic and special speakers. The academic speakers cover theory and concepts of economics and finance and the special speakers generally talk about applications and current problems. Special speakers this year included Albert M. Wojnilower, senior vice president and director of the First Boston Corporation, who talked on the future of money and financial markets; Eugene Rotberg, treasurer of the World Bank, who described the sophisticated portfolio management programs of the World Bank, and Alan R. Holmes, executive vice-president of the Federal Reserve Bank of New York, who described and discussed open market operations which determine growth of the money supply.

Participants in the Public Finance Institute this year included professionals and managers from banks, investment banks and government organizations. Their jobs included the trading, selling, and analyzing of municipal and government securities. As one of the participants commented, "Practically everyone attending is specialized in certain areas of the markets. This program gives a broad overview and brings them together by pointing out the inter-relationships between the markets." Another said "I believe the Institute is well on its way to playing a major role in the public finance industry."

Dean Bond Becomes Hall of Fame Elector

Dean Floyd A. Bond has been named an elector to The Hall of Fame for Great Americans by the trustees. He will represent the state of Michigan. The electors are 125 distinguished citizens from all fields of endeavor including the arts, sciences, and humanities. Dean Bond's selection by the trustees was as "a leader in economics with a broad interest in the men and women who have shaped Amrican history." The appointment is for a 12-year term.

The Hall of Fame for Great Americans was founded in 1900 as the nation's first Hall of Fame. An elaborate selection process has been developed and regular elections conducted to single out historically significant American men and women of extraordinary achievement. Approximately 100 have been elected over the 76-year period. The latest addition is John Philip Sousa, whose election will be celebrated in Washington, D.C. at the Kennedy Center for Performing Arts this month.

Real Estate Clinic Was Expanded This Summer

The 28th annual Real Estate Clinic, held every summer at The University of Michigan, was expanded to three days this year, and had as its title "Exchanging A to Z: The Mechanics of Doing an Exchange."

The three day program concentrated on questions arising in the negotiation of legal real estate exchanges, such as drawing up contracts, closing instructions, and recordable documents.

The Clinic was presented by the statewide U–M Real Estate Program and the Washington Real Estate Educational Foundation with the cooperation of the Michigan Association of Realtors. The Real Estate Program is sponsored jointly by the Graduate School of Business Administration and the U. of M. Extension Service.

IIC Program Director Discusses Why Trade With China is Different

Frixos G. Massialas, program director at the Institute for International Commerce, discusses trade with the People's Republic of China in the June 7 issue of *Iron Age* magazine. He says there are three basic reasons that make this trade very different and distinct from other forms of international business.

The first and most obvious reason is that the political and economic system of China is so very different from our own; secondly, the Chinese are very honest but also very meticulously attached to detail; and finally, although relations between our two countries have been improving, they are far from normal yet.

Mr. Massialas notes that many firms and larger organizations hear for the first time that Chinese buyers are actually interested in their product lines only when they receive an invitation to go and negotiate. "At the negotiating stage," he says, "you may need much more information, more detailed specifications, and readiness to respond on the spot to all kinds of questions. This makes the composition of the negotiating team important, with particular emphasis on thorough knowledge of your product. It also makes for expense in preparing and carrying information that may or may not be used, long before you have actually received any commitment. It also means you may have to give out information that is often considered proprietary, and, while others may have done it successfully, it is a decision the chief negotiator will have to make."

DOR Reprints Dividend's Special Report on Values

The 16 page special report on values which was published in the Spring, 1976 issue of *Dividend* is being reprinted, and is available through the Division of Research of the Graduate School of Business Administration.

The report includes articles by W. M. Blumenthal, chief executive officer of the Bendix Corporation, and Irving Kristol, professor of urban values at New York University. It also includes several student/faculty dialogues on questions such as whether the profit motive leads to unethical behavior; whether values should be taught in the classroom; and what values people consider when setting life goals.

Blumenthal's article, entitled "Ethics, Morality, and the Modern Corporate Executive," draws on his experience in government and the academic world as well as in business, to consider the nature and complexities of the problems with which modern executives must deal. He also discusses ways a chief executive officer can motivate his employees toward morality. And, he suggests, "Businessmen ought to write a code of ethics that would deal with some of the more vexing questions about corporate behavior."

Kristol's article, entitled "Can Values Do the Job Morals Used to Do? Namely: Keep People Moral?" asks why we speak today of *values* instead of *morals*. It is Kristol's thesis that we speak of values because we want to separate morality from religion, and he explores the implications of this separation.

Copies of the reprint are priced at $1.00 a copy for a single reprint; 75¢ each for quantities of two to 25; 65¢ each for quantities of 26 to 50; and 50¢ each for orders of more than 50 copies.

The Registrar's Office has informed us that some of the diplomas issued to May, 1976 graduates were below average in quality. Anyone receiving an inferior quality diploma may contact the Registrar's Office for a replacement.

Upping the Odds on Success

Continued from page 9

always realize the importance of planning or know how to go about it. Planning requires a practical approach to problems that is difficult to achieve in small enterprises having limited managerial staffs. A New York City agency that funds 500 day care centers sought help from the VUCG in the outlining and clarifying of the various systems and procedures that govern the relationship between the agency and the centers. The VUCG recruited Edward Anderson, who has a BA in economics from Michigan (1969) and an MBA from Harvard. He is now Administrative Assistant to the Executive Vice President, Herman's World of Sporting Wear Division, W. R. Grace Company. Ed offered to help VUCG define the problem and pinpoint the required volunteer skills. The final team included volunteers having knowledge of systems and procedures development and application, management information systems, and government functioning.

Leonard Bernstein, President of Lawrence Children's Wear, has a BA in English (1952) from the University of Michigan and is working with a minority entrepreneur who manufactures ladies' and junior sportswear. He advises on merchandising, cost control, inventory management, and the manufacturing process itself. Bernstein, who is the author of *How's Business? Don't Ask* (E. P. Dutton & Co. 1974) says of VUCG's function, "We don't put struggling business people on their feet; we help them to get on their feet themselves. We show them how to cope with the every-day business problems that challenge young enterprises." For example, he says one of the pitfalls of smaller manufacturers is the desire to get into the production of a wide variety of products. Small companies tend not to realize that each product usually requires its own development, manufacturing, and merchandising techniques. "It's hard to get garment manufacturers to concentrate on making and selling one particular item—say, a $3.98

Continued next page

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Upping the Odds on Success

Continued from page 27

blouse," explains Bernstein, "and yet a lot of money can be made with a single, high volume item if it is properly styled, manufactured and merchandised." Design, production and sale of a large number of different items dilutes the attention given to each and weakens the overall effort, says Bernstein, adding that it also vastly complicates inventory and production operations.

Few actions can strangle a young business as swiftly as capital investment unsupported by rapid utilization. Small businesses often tend to feel that the first step in growth is buying and installing additional equipment. They do this before the new facilities are needed, a sure path to financial difficulty. John Hammerschlag, BSE '70, advised a firm that cleans, repairs and renovates kitchen equipment for restaurants and hotels. Business is fairly good, and the company wants to grow—fast. But Hammerschlag has warned them not to spend money on facilities that they cannot use at once, and has advised them to get more business before expanding. He is helping with the development of market potential figures, determination of immediate and future equipment needs and estimates of growth potential.

Established businesses are not the only ones that call on VUCG. A small group of entrepreneurs approached VUCG about a closed circuit television-based burglar protection system that they were considering developing. Stores in a high crime area of Brooklyn were interested in the proposed system. Asmat Assur, BSE '67, MBA (Harvard), Director of Finance, New England Petroleum Corporation, worked with them on behalf of the VUCG. Research into the situation revealed that most of the stores already had alarm systems, and that the problem was not the systems themselves, but that the police responded too slowly. Putting an alarm button in a central TV monitoring room would not solve that problem, but only change the location from which the alarm emanated. This client decided to drop plans for the business. Asmat says he regrets that the business had to be dropped, but is glad the client was apprised of the pitfalls before spending money on the venture.

The work of all VUCG volunteers is coordinated by the Group's permanent staff. The VUCG Board of Directors and an Advisory Council (both composed of businessmen) oversee the program, and if a client's needs cannot be met through the VUCG's talent bank of established corporate contacts, a member of the Board or Council can often direct the VUCG's staff to individuals who have the required skills.

Working in these areas is both instructive and rewarding, says one of the volunteers, because he is brought face to face with situations that he would not ordinarily encounter in his daily business activities. Most VUCG volunteers say that work in the minority business area is a fascinating, mind-broadening, training-augmenting experience. "You know you are improving your own skills while you are helping worthy young business ventures," says one volunteer. "Emerson once said that commerce is a game all men can play but few can play well. The VUCG is helping increase the odds in favor of the well managed not-for-profit organizations and small, minority-owned business."