A. C. LITTLETON’S FINAL THOUGHTS ON ACCOUNTING:
A COLLECTION OF UNPUBLISHED ESSAYS
STUDIES IN THE DEVELOPMENT OF ACCOUNTING THOUGHT

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STUDIES IN THE DEVELOPMENT OF ACCOUNTING THOUGHT VOLUME 20

A. C. LITTLETON’S FINAL THOUGHTS ON ACCOUNTING: A COLLECTION OF UNPUBLISHED ESSAYS

EDITED BY
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A. C. Littleton 1887–1974

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Dedicated to

Hiram Thompson Scovill
Accountant, Teacher, Author, Administrator,
Friend, Colleague, Mentor
“History is experience, and all experience is historical.”

— Ludwig Von Mises
(The Ultimate Foundations of Economic Science, 1962)
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FOREWORD

This edited book represents Ananias Charles Littleton’s (1886–1974) final monograph on accounting theory. I first became familiar with Littleton and his ideas as a doctoral student in the United Kingdom, while writing my dissertation on the Australian academic Raymond J. Chambers and his contribution to accounting theory (Persson, 2013). In a letter to Chambers from Sir Alexander Fitzgerald, who held the first full-time professorship in accounting in Australia and was one of the few accounting scholars who had visited the United States in the early 1900s, Littleton is described as “… regarded in [the] U.S.A. as being the most scholarly man in the profession.”¹ After Littleton’s passing, his colleagues shared similar sentiments writing “… the world of accounting lost one of the founders of its intellectual base” (Bedford & Ziegler, 1975, p. 435).

Yet, when Littleton passed away in the 1970s, great changes were underway in academic research in the United States. Interest in the individual and his or her contribution to the accounting discipline was giving way to capital market research, led by (among others) the Universities of Rochester and Chicago. Correspondingly, the goal of accounting research shifted, from scholarly discussions concerned primarily with the improvement of accounting practice to the examination of accounting numbers from financial statements and share-price data, using new methods from financial economics and statistics (see, e.g., Whitley, 1986).² Coupled with the pressures of increased publishing requirements for faculty in universities, the result of this transition has been such that contemporary accounting scholars have reported little attention to their intellectual forefathers such as Littleton. This shift is an unfortunate turn of events and unlike developments in disciplines such as economics, where the thoughts of great economists such as Adam Smith, Irving Fisher, and John Maynard Keynes, continue to receive considerable attention (Ashraf, Camerer, & Loewenstein, 2005; Dimand & Geanakoplos, 2005; Skidelsky, 2010).

With the shift in accounting research as a backdrop, this edited book was composed with the intention of renewing interest in Littleton’s contribution to the accounting discipline. It is also fitting that it is being published in the same year as the centennial celebration of the American Accounting Association, an institution that Littleton and his colleagues
founded as the American Association of University Instructors in Accounting shortly after the turn of the 20th century.

Littleton was born in Bloomington, Illinois, in December 1886, where he remained until he moved to attend university in Urbana—Champaign. Littleton describes his early upbringing and time at Bloomington High School, from which he graduated in 1905, as quite ordinary. He had found bookkeeping, English literature, and written composition interesting but mathematics and the natural sciences unappealing. While still in high school, Littleton also worked part-time in the local railroad shops, and, after graduating, took up full-time employment as a telegrapher on the Chicago & Alton Railroad, which operated railroad lines with stops in the states of Illinois and Missouri. At the time, the railroad company operated large terminals in Chicago, Kansas City, Peoria, and St. Louis, but Littleton found himself working the night shifts in smaller stops and switching towers located between these larger destinations (see the last chapter, “Reminiscing,” for more about Littleton’s early life).

After two years of working as a telegrapher, Littleton had saved enough funds to enroll in an undergraduate program in railway administration, at the University of Illinois at Urbana—Champaign. Littleton consequently moved 50 miles from Bloomington to Urbana—Champaign and took up residence in a university rooming house. In his new residence, Littleton learned from two roommates about the new public accountancy laws in Illinois and the opportunities that were presented to those willing to enter public practice. Inspired by these roommates, who had come from Chicago to study accountancy at the university, Littleton switched his major and graduated in 1912 with a Bachelor of Arts in Accountancy.

After graduation, Littleton moved to Chicago and took up employment in public accounting with the British firm Deloitte, Plender, Griffiths & Co. (today Deloitte), which had set up offices in the United States in 1893 (Parker, 1980). His stay in public practice, however, proved short-lived. After serving as an audit assistant to a senior accountant, who was a part-time instructor and fellow alumnus, Littleton was persuaded to return to the University of Illinois at Urbana—Champaign in 1915 to teach elementary accounting courses and pursue a graduate degree in business administration. Littleton recalls finding both the graduate coursework and teaching experience gratifying, and he was appointed to an assistant professorship with the university soon after graduating with a Master of Arts in 1918.

While working as an assistant professor, Littleton qualified as a Certified Public Accountant in the state of Illinois; developed the first
graduate course in accountancy at the university (combining accounting theory and history); and, together with his colleague Hiram Thompson Scovill, founded Beta Alpha Psi, an honors organization for accounting students. These activities led to a promotion to associate professor in 1925, and, as graduate enrollment in accounting grew, Littleton used the material he had developed for his course as the basis for pursuing a doctoral degree by dissertation. The university awarded Littleton a PhD in Economics in 1931 and the resulting dissertation, *Accounting Evolution to 1900*, was published in book form in 1933. This book is today considered one of Littleton’s greatest works and a seminal contribution to the accounting literature.

Littleton was promoted to full professor shortly after the completion of his doctoral studies, and he remained with the university until his retirement in 1952. During his time as full professor, Littleton and Scovill established the first doctoral program in accounting in the United States. Littleton’s first doctoral student, John W. McMahan, graduated in 1939 and went on to work as an accountant for the Atomic Energy Commission. Another graduate from 1942, Robert K. Mautz, was inducted into the Accounting Hall of Fame in 1978 and received the American Institute of Certified Public Accountants’ Gold Medal in 1979. In total, Littleton supervised 24 doctoral and 76 graduate dissertations and, as a result, a significant portion of accounting academics during this period was graduates from the University of Illinois at Urbana–Champaign (for more about Littleton’s former students, see Appendices A and B).

In addition to his work in the supervision of graduate research, Littleton served in various external academic capacities such as the Vice-President (1936), Director of Research (1940–1942), and President (1943) of the American Accounting Association as well as the Editor of *The Accounting Review* (1943–1947). Littleton also served on various committees of the American Institute of Certified Public Accountants. After retirement from his full-time appointment at Illinois in 1952, Littleton taught part-time at the universities of Arizona, Colorado Boulder, Denver, and Michigan; was elected into the Accounting Hall of Fame in 1956; and received an honorary doctoral degree from his alma mater in 1967 (for further biographical detail, see Bedford & Ziegler, 1975; Gaffikin & Aitken, 2014; Zimmerman, 1967).

Littleton began publishing accounting research as a graduate student and continued through his retirement (for a complete list of publications, see Appendix C). In total, Littleton published over 100 articles in journals such as the *Harvard Business Review*, *Journal of Accountancy*, and
The Accounting Review. An avid reader since high school, Littleton also published 25 book reviews and, for a period, wrote a column titled “The Accounting Exchange” in The Accounting Review, in which he offered his thoughts on events in the discipline of accounting. It is for his eight books, however, that Littleton is most well known. In his second sole-authored book, Accounting Evolution to 1900 (1933), Littleton traced the evolution of bookkeeping into modern accountancy. In his third sole-authored book, Structure of Accounting Theory (1953b), he continued this line of inquiry into the present and examined contemporary accounting practices in order to inductively derive an underlying theory that can explain those practices. And, in his fourth sole-authored book, Essays on Accountancy (1961a), Littleton brought together extracts from his published work and arranged them in accordance with four categories: accounting education, history, theory, and the profession.

Prominent co-authors joined Littleton for his remaining four books. In his first such book, An Introduction to Corporate Accounting Standards (1940), William A. Paton, a professor of accounting at the University of Michigan, and Littleton deductively elaborated what has become known as the quintessential theoretical defense of historical cost accounting. In the second one, Accounting Theory: Continuity and Change (1962), Littleton and Vernon K. Zimmerman, a former graduate student, returned to examine the antecedents of modern accountancy using the inductive method. Their aim was to provide a theoretical structure of accountancy broader than that derived through the examination of the evolution of practices and logical deduction.

The remaining two books were edited volumes. The first volume, Studies in the History of Accounting (1956), was co-edited with Basil S. Yamey, then a Reader at the London School of Economics. The second volume, Significant Accounting Essays (1965), was co-edited with Maurice Moonitz, then a professor of accounting at the University of California, Berkeley. Both volumes were on the topic of accounting history and drew contributions from authors such as Louis Goldberg in Australia; Harold Edey in the United Kingdom; and Eric L. Kohler, Henry R. Hatfield, and Robert H. Montgomery in the United States.

The sum of Littleton’s writings have contributed to the establishment of the inductive approach to accounting theory construction, the veracity of historical cost measurements, and the viewpoint that accounting principles and standards should guide practice. According to Bedford and Ziegler (1975), the introduction of the inductive approach to theory construction in accounting was novel at the time and a harbinger of the research
methods later developed at the Universities of Chicago and Rochester in the 1970s. Littleton’s ideas, however, also spurred much critique and fierce debate among accounting theorists in the 1950s. Whereas there were some support from the traditional leaders of the discipline such as George O. May and Robert N. Anthony, most of Littleton’s contemporaries favored a deductive approach to theory construction and shunned measurements based on dated entry prices (historical cost). Chambers (1966) and Robert R. Sterling (1970b) supported measurements based on current exit prices. David Solomons (1961) and William T. Baxter (1971) preferred current entry prices (either replacement cost or deprival value). John B. Canning (1929) and George J. Staubus (1954), on the other hand, welcomed measurements based on discounted future cash flows (i.e., as proxies of current prices).

Whereas the bulk of Littleton’s ideas were published in the 1930s and through the 1950s, his later critics published most of their work in the 1960s and onward. The exception to this was Littleton’s last book, authored together with Zimmerman, which was published in 1965. This volume, however, contained little more than categorized excerpts from earlier publications. The result of this situation was that most of the criticism directed toward Littleton’s ideas went unanswered. This lack of response seems to have even caught some of his fiercest critics’ off-guard. For example, in a letter to Ernest Weinwurm in the 1950s, Chambers writes that he had expected “… something quite devastating of Littleton. But it turned out to be rather disappointing.”

Although Littleton did not publish much in terms of substantive responses to his critics (for what is available, see Littleton, 1956a, 1956b, 1965), it appears that he was working on the present edited book for this specific purpose. From information contained in the draft of the manuscript, Littleton had at least written some of the chapters by 1966, and his plan had been to dedicate the publication to his former colleague Scovill. If this information is correct, it seems like Littleton would have begun working on the present manuscript sometime after the publication of his edited book together with Moonitz. Contained with the manuscript in the archives, there is also correspondence between Zimmerman, acting on Littleton’s behalf, and an editor from a publisher dated September 1972. The content of this correspondence indicate that the manuscript was at least in full draft form at this time, but that no agreement had yet been reached with this publisher. It is likely that Littleton, who passed away just two years later, simply ran out of time.
I discovered the carbon copy of the manuscript in May 2014, and, to my best knowledge, this is the only version of the manuscript that remains. I was moving from Charleston, South Carolina, to London, Ontario, and I had arranged to visit the archives at the University of Illinois at Urbana–Champaign on the way up to Canada. From the list of content published on the university website, I had expected that three days would be enough to take inventory of the personal papers of Arthur R. Wyatt, Edward J. Filbey, and Littleton. My initial intention had been to start with the former two collections, as these were located in the Main Library at the center of campus, but I was unable to find parking because I was arriving a week before finals. As fortune would have it, I therefore began with the Littleton papers instead, stored in the Horticulture Field Lab Building, which is located slightly off the university center.

Littleton’s papers were donated to the university archives in two batches, the first one in 1996 and the second one a year later. The archive does not have a donation record, but it is likely that the donor was one of Littleton’s children (he had a daughter and a son). There is a total of 2.3 cubic feet of material contained in three boxes. The archivist that received this material created a list of contents that was published on the university website. This list contains the usual items of articles, books, and correspondence. Because this person is not a trained accounting historian, however, he or she would not have been able to separate drafts of Littleton’s published material from that which has not been published, without further research. As such, the present manuscript was simply labeled as “late reflections.”

Viewing the label “late reflections”, I had opened the third box with the expectation of finding the usual collection of annotated articles, disjointed notes, and news-clippings. Instead, I discovered a carbon copy of a 600-page manuscript neatly tucked into an archival folder. Once I realized that I had discovered an unpublished manuscript, I spent the remainder of my time at the archives taking photos of its content.

Once I arrived in Canada, I began to make inquiries regarding the copyright status of the material. For the few items that had previously been published, copyright was obtained from the American Accounting Association, the American Institute of Certified Public Accountants, the Illinois CPA Society, and the Vernon K. Zimmerman Center for International Education and Research in Accounting at the University of Illinois at Urbana–Champaign. For the unpublished materials, which make up most of the manuscript, my first reference was the university archivist William J. Maher. Maher was most responsive and helpful but
did not have more information than the names of Littleton’s two children, Barbara and Scott, both of which had already passed away.

Using this new information, I eventually managed to locate one of his grandchildren who ran a personal blog. In another fortunate turn of events, this person happened to be a retired higher education professional and was therefore sympathetic towards what I was attempting to accomplish. With her help, we managed to round up the remaining grandchildren; a necessity given that the copyright would have been split evenly between them upon the passing of both Barbara and Scott. These grandchildren gracefully gave me their copyright permission and blessing to reproduce Littleton’s manuscript for publication.

Once the copyright permission had been obtained, I approached Gary Previts about the project at the annual meeting of the American Accounting Association in Atlanta, Georgia, in 2014. Previts believed that the project had considerable merit for potential publication as part of Emerald’s Studies in the Development of Accounting Thought, and, upon my return from Georgia, I began the process of transcribing the original manuscript.

Once transcribed, I made a series of editorial changes to the original draft. Formatting and referencing were changed throughout, as each entry in the original volume was written as an individual manuscript with its own peculiar layout and citation style. Several references were also either missing or incomplete and therefore had to be retrieved. Littleton’s comments, some of which were typed into the manuscript and others scribbled in its margins, were all moved to the endnotes. My editorial comments appear in the footnotes.

In the process of retyping the material for the volume, Littleton made editorial changes to some of his previously published articles. All of these modifications were kept, but a reference to the original article was inserted as a footnote at the beginning of each of these items. The part “Late Reflections,” which Littleton wrote last, was moved from the front to the back of the manuscript to maintain a chronological order. My editorial assistant, Bill Black, and I modified the writing only when we felt that such changes would make the manuscript more accessible to the reader. In this process, one chapter, “Assume or Debate,” was deemed unsatisfactory and removed. With these exceptions, Littleton’s writing is otherwise presented in the format that he had intended.

The manuscript contains 52 chapters, including the introduction, which are divided into 13 parts. Each part appears to be structured according to a theme, but only two parts were given actual titles. These are the first and
last parts, titled “Even with Changes, Patterns Remain” and “Late Reflections,” respectively. The former contains excerpts from Littleton’s writings prior to the present manuscript, and the aim is to bring readers up-to-date on his thoughts. Had the manuscript been published as envisioned in the 1970s, it is likely that this would have been a useful exercise. To the contemporary reader, however, these excerpts provide little more than a starting point for consulting the original publications. On the other hand, the latter part contains some of the best and most succinct expression of Littleton’s final thoughts on accounting. These can be read without any knowledge of Littleton’s earlier publications.

Out of the 51 chapters, five have appeared as articles published in the *Journal of Accountancy*, *The Accounting Review*, and *The International Journal of Accounting Education and Research* (later *The International Journal of Accounting*). Another six chapters have been previously published in *The Illinois Certified Public Accountant*, which is the predecessor of the Illinois CPA Society’s *INSIGHT Magazine*. As mentioned earlier, the sum of these chapters represents Littleton’s response to his critics in the 1960s and his last “… excursion into accounting theory” (p. 25) It marks Littleton’s concluding attempt to inductively examine aspects of accounting practices with the goal of deriving “… elements of implicit logic capable of convincingly demonstrating the existence of natural interrelations between accounting actions and ideas” (p. 25).

Readers familiar with Littleton’s work will recognize reoccurring themes from earlier publications throughout the manuscript. Littleton continues to argue for the view that the purpose of accounting is the recording of transaction experience (i.e., dated entry prices) emanating from management decisions. This leads him to exclude the use of measurements of current entry and exit prices as well as the valuation of future expected prices in the traditional financial statements, although he is open to supplementary information provided in separate statements. This also leads him to disapprove of the use of a price index to calculate changes in general price-levels (a popular idea at the time, see, e.g., Sweeney, 1936), as economic forces such as these are outside of management’s control and, if recorded, would distort the transaction history of the enterprise.

Along with familiar themes on the measurement function and purpose of accounting, Littleton offers new lines of inquiry as well. The most interesting of these is Littleton’s increased incorporation of the philosophical tradition of pragmatism into his thoughts on accounting theory. He appears particularly keen on the writings of the American philosopher John Dewey (1859–1952). Faced with arguments from his contemporaries
that accounting should reflect current economic conditions and be grounded in “sound” scientific principles (Mattessich, 1964; Sterling, 1970a, 1979), Dewey’s line of thought must have appealed to Littleton. Consistent with the tradition of pragmatism, Littleton saw the primary function of accounting as being that of an instrument to aid decision-making, as opposed to trying to represent an accurate depiction of current economic conditions (most of which were taking place independently of management action). As such, just as pragmatism considers most philosophical ideas in terms of their usefulness to facilitate human action, Littleton saw accounting in terms of its usefulness in informing management of their past transaction decisions and results.

Littleton ends the last chapter, written before his 85th birthday, with the hope that some of his activities and thoughts “… may have proved useful to others” (p. 593). At the eve of his 130th birthday, I believe that Littleton would have found comfort in the fact that his activities and thoughts certainly have, despite changing trends in accounting research. The American Accounting Association, which he and his colleagues started as an unassuming teaching association, has grown to become an organization of international significance that is now celebrating its centennial. His parting thoughts, on the relationship between accounting and the philosophical tradition of pragmatism, have received renewed interest in the accounting literature (Rutherford, 2013). In addition, his final contribution to the accounting discipline is now published in its entirety. I hope that he would approve that I have done the material within these covers justice.

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April 2016

NOTES

2. There is considerable accounting literature drawing on Thomas Kuhn’s (1962) work on the growth of scientific knowledge to explain this change in accounting research (e.g., Cushing, 1989; Mouck, 1993; Wells, 1976). More recent research has reconsidered this change from the perspective of Graham Harman’s (2011) object-oriented ontology (Persson & Napier, 2015a).

4. Littleton published his first book, containing elementary accounting problems, while still working as an instructor in 1919.


7. I inserted such a dedication in this edited version.