



Understanding Mattessich and Ijiri: A Study of Accounting Thought

Nohora García

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AND IJIRI: A STUDY OF
ACCOUNTING THOUGHT

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ACCOUNTING THOUGHT VOLUME 21

UNDERSTANDING MATTESSICH AND IJIRI: A STUDY OF ACCOUNTING THOUGHT

BY

NOHORA GARCÍA

Universidad Nacional de Colombia, Bogotá, Colombia



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INVESTOR IN PEOPLE

*To R. Mattessich and Y. Ijiri (1935–2017), in memoriam;
And to Adela and Misael*

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LIST OF ABBREVIATIONS

| | |
|-------|--|
| AAA | American Accounting Association |
| AAM | <i>Accounting and Analytical Methods</i> |
| AHJ | <i>Accounting Historians Journal</i> |
| AICPA | American Institute of Certified Public Accountants |
| APB | Accounting Principles Board |
| AOS | <i>Accounting, Society & Organizations</i> |
| BAR | behavioral accounting research |
| CAPM | capital asset pricing model |
| CMU | Carnegie Mellon University |
| CPA | Certified Public Accountant |
| EMH | efficient market hypothesis |
| FASB | Financial Accounting Standards Board |
| FIFO | first in, first out |
| GAAP | generally accepted accounting principles |
| GSIA | Graduate School of Industrial Administration |
| HC | historical cost |
| HCD | historical cost less depreciation |
| IASB | International Accounting Standard Board |
| ICGN | International Corporate Governance Network |
| IFRS | International Financial Reporting Standards |
| JAE | <i>Journal of Accounting and Economics</i> |
| JAR | <i>Journal of Accounting Research</i> |
| LIFO | last in, first out |
| OR | operations research |
| ORSA | Operations Research Society of America |
| PCAOB | Public Company Accounting Oversight Board |
| PW | Price Waterhouse & Co. |
| RAE | resource agent event |
| SEC | Securities Exchange Commission |
| SFAS | statement of financial accounting standards |
| TAM | <i>Theory of Accounting Measurement</i> |
| TAR | <i>The Accounting Review</i> |

| | |
|------|--|
| TFV | true and fair view |
| UBC | University of British Columbia |
| UNC | Universidad Nacional de Colombia |
| US | United States of America |
| XBRL | extensible business reporting language |
| YMCA | Young Men's Christian Association |

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FOREWORD

As García describes in her background and acknowledgements, *Understanding Mattessich and Ijiri: A Study of Accounting Thought* is the product of a research program that began almost a decade ago as a doctoral student. This project has then evolved through her appointment as an Assistant Professor of Accounting at the National University of Colombia and a succession of visits to (and collaborations with faculty from) the Universities of Carnegie Mellon, Mississippi, Queensland, and Yale.

García was drawn to the study of the development of accounting thought because of her training in economics in which it is still common to revisit the ideas of influential economists of the past, such as Adam Smith, Irving Fisher, and John Maynard Keynes (e.g., Ashraf, Camerer, & Loewenstein, 2005; Dimand & Geanakoplos, 2005; Skidelsky, 2010). In the field of accounting, however, research agendas of this kind (e.g., Bryson, 1976; Buckner, 1975; Roberts, 1975) began to disappear with the turn toward capital market research that emerged at the Universities of Chicago and Rochester in the 1970s and critical accounting research which emerged in Europe shortly thereafter (for more about this argument, see Persson, Radcliffe, & Stein, 2017).

With this shift in accounting research as the historical backdrop, García's book represents an important line of inquiry that is re-emerging through Gary Previts' editorship of Emerald Group Publishing's Studies in Development of Accounting Thought series. The aim of this series is to inform readers about the historical foundations of the accounting discipline through the exploration of the lives and contributions of pre-eminent individuals in our field. Recent studies have revisited the contributions of such individuals as the co-founder of the first North American doctoral program in accounting, A. C. Littleton (Persson, 2016); the prominent critic of the accounting profession, Abraham J. Briloff (Criscione, 2009); and the longest serving AICPA Chief of Staff, John L. Carey (Barfitt, 2007).

In this book, García sets out to explore the intellectual foundations of two of the most important publications during the golden age of *a priori* research in accounting that preceded the turn to capital market research in NA.¹ The

first one is Richard Mattessich's *Accounting and Analytical Methods* (AAM) which was published in 1964. Mattessich was born in Trieste, Italy, in 1922 but grew up in Vienna, Austria. He graduated with a Doctor of Economic Sciences from the Vienna University of Economics and Business in 1945 and with the arrival of peacetime took up employment with the Austrian Institute of Economic Research. This eventually led to academic appointments in Switzerland and Canada before accepting a tenured professorship position at the University of California at Berkeley in 1959 (for more about his life, see Mattessich, 1995b; McWatters, 1994). At Berkeley, Mattessich joined fellow *a priori* scholars such as George J. Staubus, Maurice Moonitz, and Robert T. Sprouse in what was arguably one of the most influential accounting departments in the Western US (for more about this period, see Moonitz, 1986). And it was in this environment that Mattessich wrote his *magnum opus*, AAM, in which he attempted to develop a "unified frame" of accounting that encompass both the accounts of the national economy and those of publicly traded companies.

The second publication is Yuji Ijiri's *Theory of Accounting Measurement* (TAM) which was published in 1975. Ijiri was born in Kobe, Japan, in 1935 and graduated from Ritsumeikan University with a Bachelor of Laws before moving abroad to complete a master's degree at the University of Minnesota in 1960. This was followed by a Ph.D. in Industrial Administration from Carnegie Mellon University (CMU) in 1963, an initial placement at Stanford University, and then the return to his doctoral alma mater as a tenured professor in 1967. At Carnegie Mellon, Ijiri joined one of the most prominent and interdisciplinary industrial administration faculties in the Eastern US. With the exchange of ideas and encouragement from colleagues such as Herbert A. Simon, Richard M. Cyert, and William W. Cooper, Ijiri's research spanned the entire spectrum of accounting and business and often drew insights from mathematics and statistics during a period in which such overtures were just emerging (for more about Ijiri and this influence on him, see Sunder & Glover, 2017). TAM embodied the very best of this interchange of ideas and was considered avant-garde in its defense of traditional historical cost accounting from the perspective of measurement theory and logical deduction.

Both AAM (e.g., Cooper, 1966; Porter, 1965; Weinwurm, 1966) and TAM (Brief, 1976; Deskins, 1977; Nelson, 1976) received rave reviews in the accounting literature. Ijiri (1966a) described AAM as an "...excellent introduction to the new area into which accounting in the future should be developed..." (p. 293) and Beaver (1976) concluded that TAM was an "...outstanding book, which rightfully will influence thought in accounting for several years" (p. 531). Despite this initial attention and with the exception of a brief debate

between Chambers (1966a) and Mattessich (1967), the shift toward capital market research meant that both publications had fallen to the wayside by the 1980s. García's book is therefore an important contribution. It brings these works back into focus in the accounting literature, and it also offers what is a first attempt at a comprehensive analysis of the intellectual influences that underpin them. As such, this author considers *Understanding Mattessich and Ijiri: A Study of Accounting Thought* to be an important part in a line of scholarship that is aimed at renewing our interest in *a priori* accounting research and the pursuit of improving accounting practice through scholarship.

Martin Persson Western University, London (Canada)

BACKGROUND AND ACKNOWLEDGMENTS

This book has its origins in my teaching at the Universidad Nacional de Colombia (UNC). When I began to teach accounting theory, I was interested in appropriate content for undergraduate students in public accountancy. Since I had read eminent authors during my economics studies, I applied this idea to familiarize accounting students with some of the work of the most distinguished authors on accounting. On beginning my doctoral studies, I found out that I would be allowed to carry out research on some of these works. After carrying out the research to its present state, I am aware that this kind of study can be classified in a specialized field apart from accounting history and accounting theory.

As in all research, the present work was made possible through the support of a large number of people and various institutions. I owe my deepest gratitude to Professors Shyam Sunder and Dale Flesher who encouraged me to turn my dissertation into a book. They have been extremely generous and supportive. Thanks to them, the reader has this book in his hands. Thanks to Professor Sunder for introducing me to Professors Flesher, Jon Glover, and Pierre J. Lang, the latter two of whom facilitated my access to the work and archives of Yuji Ijiri at Carnegie Mellon University.

Professor Flesher welcomed me during my internship year, 2009, and on later visits to the Patterson School of Accounting at the University of Mississippi in Oxford, in the summers of 2011 and 2012, and the fall semester of 2016. Here, I must mention that the J. D. Williams Library at the University of Mississippi facilitated my work enormously. I could not be more grateful to Professor Gary Previts for his support for this publication.

At the UNC, I am deeply grateful to my advisor, Professor Luis I. Aguilar and to the members of different Evaluating Committees, Professors Homero

Cuevas, Ernesto Sierra, and Álvaro Zerda, UNC, for their constructive suggestions. Special thanks to my colleagues at the UNC for keeping me centered on the subject: Luis A. González, Manuel Muñoz, Eduardo Sáenz, Beatriz Martínez, Orlando Acosta, Alvaro U. Viña, Luis F. Valenzuela, Alvaro Moreno, Gabriel Misas, Jorge Armando Rodríguez, Luis Carlos Beltrán, Juan Jacobo Pavajeau, Camilo Cortés, Luis A. Rodríguez, Jairo O. Villabona, and José V. Gualy. I want to express my sincere gratitude to Professors Juan A. Lara and Danilo Ariza for facilitating my work in this research area during my postgraduate studies.

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I visited the University of Queensland (UQ), Yale University, and Carnegie Mellon University (CMU) in 2014. These environments enabled me to continue my learning and obtain a broader view of the scholars I had chosen to study. Julie Walker, UQ, advised me to contact Professor Graeme Dean (The University of Sydney). Professor Dean provided more ideas for revising the manuscript. At Yale University (2014 fall semester), ongoing conversations with Professor Sunder enabled me to take one more step in my research. Diane Whitbread was always very attentive in her administrative guidance. Manjula Shyam, Juan C. Penagos, Yoko Okuyama, Marco

Bonnet, and O'Neil Fullerton introduced me to New Haven and gave me their friendship.

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Finally, I am beholden to my family for their moral support and careful attention to the progress of this research. Leonel, Aldemar, Orlando, their wives Adriana, Magda, Yanire, and children facilitated my academic stays in the US and Australia and accompanied me in making this study a reality. I also wish to thank other family members for being always present: Jorge López, Yaqueline Cárdenas, Elvia López, Rosa López, Emelina López, María Zea, Rigoberto García, Maria Elvia Cárdenas, Ismael García, Jorge García, Cecilia Forero, Carmen García, Mireya Medina, Francy López, Judith Parra, Johana Atuesta, Daniel López, and Daniel García.

Lastly, it should be noted that the responsibility for the contents and interpretations in this volume belong fully to the author.

Nohora García, Bogotá, Colombia

NOTE

1. Nelson (1973) came to define the notion of the golden age of a priori research in accounting, but Gaffikin (e.g., 1988, 2005a, 2005b) has since come to expand upon this period and the works of the authors involved.