



William A. Paton A Study of His Accounting Thought

Kelly L. Williams and Howard J. Lawrence

Studies in the
Development of
Accounting Thought
Volume 22

WILLIAM A. PATON

STUDIES IN THE DEVELOPMENT OF ACCOUNTING THOUGHT

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ACCOUNTING THOUGHT VOLUME 22

**WILLIAM A. PATON:
A STUDY OF HIS
ACCOUNTING THOUGHT**

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INVESTOR IN PEOPLE

To our families, whose patience, encouragement, and understanding compelled us to finish what seemed an imposing task, we dedicate this book.

To our readers, we also dedicate this to you in the hopes that it will help you understand and appreciate one of the great individuals who helped to make accounting the respected profession it is today.

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CONTENTS

<i>Acknowledgments</i>	<i>ix</i>
<i>Abstract</i>	<i>xi</i>
<i>List of Tables, Exhibits and Appendices</i>	<i>xiii</i>
<i>List of Abbreviations</i>	<i>xv</i>
Chapter 1 Introduction	<i>1</i>
Chapter 2 Biography of William A. Paton	<i>13</i>
Chapter 3 The Paton Philosophy	<i>33</i>
Chapter 4 Paton's Contributions to the Accounting Postulates	<i>55</i>
Chapter 5 Paton's Thoughts on Accounting Education	<i>79</i>
Chapter 6 Paton's Contributions to Professional Societies	<i>101</i>
Chapter 7 Paton's other Activities and Thoughts	<i>121</i>
Chapter 8 Summary, Honors, and Conclusions	<i>133</i>
<i>References</i>	<i>143</i>
<i>Appendices</i>	<i>159</i>
<i>About the Authors</i>	<i>167</i>
<i>Index</i>	<i>169</i>

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ABSTRACT

For more than 70 years, William A. Paton contributed his considerable energy and knowledge to the development of accounting thought. He wrote over 100 articles and was a principal contributor to, and editor for, *The Accounting Review* and *Accountants' Handbook*. Paton was a member of numerous honorary and professional societies, and on scores of occasions, Paton appeared as an expert witness at (or testified before) Congressional committees and both federal and state courts and commissions.

Paton was one of the early accounting educators to express the high purpose of accounting and its importance in the university. He believed that an accountant's education had to go beyond the education provisions of the state Certified Public Accounting (CPA) laws. The significant development of modern accounting education programs, as well as the prestige accorded to them, can be largely traced back to the high aims of such professionals as Paton. He was among the early theorists in accounting to argue that just listing the assets and liabilities of a company was not sufficient. Rather, there had to be a coherent, theoretical structure that would guide the accountant in preparing financial statements.

Paton was an active participant in the professional accounting organizations of his day. Paton was a leader in urging early societies to conduct research to develop a coherent body of knowledge and in developing the first issues of *The Accounting Review*. That beginning, along with the contributions of such notables as editors Eric Kohler (1928–1942), Ananias Charles (A.C.) Littleton (1944–1947), Frank Smith (1950–1959), and Robert Mautz (1960–1962) helped make the *Review* into the outstanding publication it is today.

Paton's thoughts on accounting were influenced by many factors, including his family, his background in economic theory, his work in the public utility sector and with the War Trade Board, and such accounting luminaries as Thomas Jones, Charles Ezra Sprague, and Henry Rand Hatfield. In studying a man such as Paton, one realizes that certain basic propositions, postulates, and assumptions influenced the man and shaped his thinking and philosophy. As early as his first professional textbook, *Accounting Theory*, Paton expounded his postulate approach and his basic assumptions.

For this huge body of work, Paton received practically every major honor an accounting educator could receive. He was one of the three chosen to enter the Accounting Hall of Fame, in its first year; he was also chosen as the Dickinson Lecturer in Accounting in 1940 – the first academic to be so honored by Harvard

(Zeff et al., 1979). In 1944, the American Institute of Certified Public Accountants (AICPA) established an award for distinguished service to the profession, including notable contributions to the accounting literature. Paton was one of the three first-year recipients of the gold medal and citation. Perhaps Paton's most significant honor came in 1987 when, on the occasion of its 100th annual meeting, the AICPA named Paton the Educator of the Century. Paton arguably contributed more to the development of accounting thought than any other person in the twentieth century.

LIST OF TABLES, EXHIBITS AND APPENDICES

Tables

Chapter 2	Table 1	Articles Published by Paton in Selected Periodicals	29
Chapter 4	Table 2	A Comparison of Paton's Assumptions to the Basic Postulates of Accounting.	77
Chapter 5	Table 3	Paton's Textbooks.	90
Chapter 6	Table 4	Offices Held by Paton in the American Association of University Instructors in Accounting.	102
	Table 5	Short-form Income Statement Proposed by Paton.	118

Exhibits

Chapter 2	Exhibit 1	William Paton, Early Teaching Years.	20
Chapter 8	Exhibit 2	William Paton, Post Retirement.	137

Appendices

Appendix A1	Partial List of Government Publications Prepared by Paton.	159
Appendix A2	Partial List of Institutions at Which Paton Taught	160
Appendix A3	Partial List of Organizations in Which Paton Held Membership	161
Appendix A4	Partial List of Engagements in Which Paton Served as a Consultant or Expert Witness	162

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LIST OF ABBREVIATIONS

AAA	American Accounting Association
AAPA	American Association of Public Accountants
AAUIA	American Association of University Instructors in Accounting
ADPU	Arkansas Department of Public Utilities
AIA	American Institute of Accountants
AICPA	American Institute of Certified Public Accountants
APB	Accounting Principles Board
APBO	Accounting Principles Board Opinion
ARB	Accounting Research Bulletin
ARS	Accounting Research Study
CAP	Committee on Accounting Procedure
CPA	Certified Public Accountant
FASB	Financial Accounting Standards Board
FEE	Foundation for Economic Education
FIFO	First in, first out
FSPAA	Federation of Societies of Public Accountants in America
LIFO	Last in, first out
NACA	National Association of Cost Accountants
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards