STUDIES IN THE DEVELOPMENT OF ACCOUNTING THOUGHT

Series Editor: Gary J. Previts, Case Western Reserve University

Recent Volumes:

Volume 1:  Henry Rand Hatfield: Humanist, Scholar, and Accounting Educator, by Stephen A. Zeff
Volume 3:  The Story of a Fortunate Man: Reminiscences and Recollections of Fifty-Three Years of Professional Accounting, by Maurice E. Peloubet, Ed. Alfred R. Roberts
Volume 7:  Accounting: How to Meet the Challenges of Relevance and Regulation, by Eugene H. Flegm
Volume 8:  The Life and Writings of Stuart Chase (1888-1985): From an Accountant’s Perspective, by Richard Vangermeersch
Volume 10: The Contributions of John Lansing Carey to the Profession of Accountancy, by Laurie A. Barfitt
Volume 11: Abraham J. (Abe) Briloff: A Biography, by E. Richard Criscione
Volume 12: Early Warning and Quick Response: Accounting in the Twenty-First Century, by David Mosso
Volume 13: Gerhard G. Mueller: Father of International Accounting Education, by Dale L. Flesher
Volume 16: The Big Four and The Development of the Accounting Profession in China, by Paul L. Gillis
Volume 17: Management Accounting at the Hudson's Bay Company: From Quill Pen to Digitization, by Gary Spraakman
Volume 18: Japanese Management Accounting: Cultural and Institutional Significance of Cost Designing, by Hiroshi Okano
Volume 19: Count Down: The Past, Present, and Uncertain Future of the Big Four Accounting Firms, by Jim Peterson
Volume 21: Understanding Mattessich and Ijiri: A Study of Accounting Thought, by Nohora Garcia
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.
This page intentionally left blank
# CONTENTS

*Acknowledgments* ix

*Abstract* xi

*List of Tables, Exhibits and Appendices* xiii

*List of Abbreviations* xv

Chapter 1  *Introduction* 1

Chapter 2  *Biography of William A. Paton* 13

Chapter 3  *The Paton Philosophy* 33

Chapter 4  *Paton’s Contributions to the Accounting Postulates* 55

Chapter 5  *Paton’s Thoughts on Accounting Education* 79

Chapter 6  *Paton’s Contributions to Professional Societies* 101

Chapter 7  *Paton’s other Activities and Thoughts* 121

Chapter 8  *Summary, Honors, and Conclusions* 133

*References* 143

*Appendices* 159

*About the Authors* 167

*Index* 169
This page intentionally left blank
ACKNOWLEDGMENTS

This project has been an intense period of learning for both of us, not just on a professional level but on a personal level as well. Accordingly, we want to reflect on the people who have been so generous with their support and understanding.

To our editor, Dr. Gary Previts, we thank you not only for your insightful comments and encouragement but also for the hard questions which incentivized us to broaden our research and view the project from a variety of perspectives.

To our professor and colleague Dr Dale Flesher, we thank you for suggesting this project and thinking of us as one’s capable of completing it. We hope we have earned the trust you placed in us.

To Charlotte Maiorana and the Business, Management, Economics, and Finance team at Emerald Publishing, we want you to know how much we appreciate the guidance and the immediate responses to all our questions throughout the process.

To Dr Royce Kurtz of the American Institute of Certified Public Accountants library at Ole Miss, we thank you for finding so many articles and documents that might otherwise be lost and forgotten.

To our colleagues and friends at the Jennings A. Jones College of Business at Middle Tennessee State University and the Patterson School of Accountancy at the University of Mississippi, we thank you for your wonderful collaboration and assistance.

We wish also to thank our families for “putting up with us” throughout this endeavor. Without your understanding and support this project would never have been completed.

Last, but certainly not least, we must acknowledge the subject of the document himself. While alive, Dr Paton and many of his family members, friends, students, and colleagues agreed to be interviewed, shared documents, and exchanged letters with one of the authors that have proved invaluable in analyzing the thoughts of this very complex man. It is our fondest wish that we have prepared a study that does, indeed, capture his accounting thoughts.
This page intentionally left blank
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
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>American Accounting Association</td>
</tr>
<tr>
<td>AAPA</td>
<td>American Association of Public Accountants</td>
</tr>
<tr>
<td>AAUIA</td>
<td>American Association of University Instructors in Accounting</td>
</tr>
<tr>
<td>ADPU</td>
<td>Arkansas Department of Public Utilities</td>
</tr>
<tr>
<td>AIA</td>
<td>American Institute of Accountants</td>
</tr>
<tr>
<td>AICPA</td>
<td>American Institute of Certified Public Accountants</td>
</tr>
<tr>
<td>APB</td>
<td>Accounting Principles Board</td>
</tr>
<tr>
<td>APBO</td>
<td>Accounting Principles Board Opinion</td>
</tr>
<tr>
<td>ARB</td>
<td>Accounting Research Bulletin</td>
</tr>
<tr>
<td>ARS</td>
<td>Accounting Research Study</td>
</tr>
<tr>
<td>CAP</td>
<td>Committee on Accounting Procedure</td>
</tr>
<tr>
<td>CPA</td>
<td>Certified Public Accountant</td>
</tr>
<tr>
<td>FASB</td>
<td>Financial Accounting Standards Board</td>
</tr>
<tr>
<td>FEE</td>
<td>Foundation for Economic Education</td>
</tr>
<tr>
<td>FIFO</td>
<td>First in, first out</td>
</tr>
<tr>
<td>FSPAA</td>
<td>Federation of Societies of Public Accountants in America</td>
</tr>
<tr>
<td>LIFO</td>
<td>Last in, first out</td>
</tr>
<tr>
<td>NACA</td>
<td>National Association of Cost Accountants</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
</tr>
<tr>
<td>SFAS</td>
<td>Statement of Financial Accounting Standards</td>
</tr>
</tbody>
</table>