

disclosure (for example, measurement, footnote or management discussion and analysis disclosure, or even whether any disclosure at all is required). More focus on the nature of the two categories of misstatements could thus help improve the existing and proposed standards on materiality and risk.²

In conclusion, PW represents an excellent analysis and summary of materiality at the end of the 20th century. Materiality is an especially important concept in this post-Enron environment, where “abuse of materiality” has been identified as one of the problem areas of current financial reporting (e.g., see Grant, Depree, and Grant, 2000). This CGA-sponsored monograph is thus a timely one and complements the earlier CICA research study authored by Don Leslie in 1985. The Leslie study provides a particular, inspired viewpoint on materiality. Price and Wallace integrate a range of viewpoints, some more inspired than others. Nevertheless, the multiplicity of viewpoints is important for getting insights on the many facets of materiality from around the world. Such multiplicity is becoming more important as standard setters aim for global convergence. In order to achieve appropriate convergence, however, it is important to be aware of the diversity of other viewpoints, and that is the valuable contribution of this monograph.

Ross Skinner and J. Alex Milburn, *Accounting standards in evolution*, 2nd ed. Toronto: Prentice Hall, 2001; 711 pages.

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This book is a revised and updated edition of the 1987 first edition authored by Ross Skinner. That edition provided a valuable exposition of accounting thought, developments, and standards at the level of sophistication appropriate for advanced accounting students who aim to become professionals. It was also, I daresay, a valuable guide for practitioners in the field. This revised edition maintains the same high standards of scholarship. As with the first edition, it is well written and presents the complexities of financial reporting in a highly accessible manner — no mean feat! As such, it is a welcome update. As the authors write (xiii):

Much has happened since 1987. The pace of change has been accelerating as a result of the effects of globalization of capital markets, revolutionary advances in information technology and in investment and risk management theories and practices ... [which have] severely challenged significant aspects of the traditional historical cost-based accounting model.

The objectives of the revised edition remain pretty much the same as those of the original: (1) to recount in an organized fashion the standards that govern financial accounting

2. An example of an extended risk model that explicitly represents the relationship between the accounting risk and the more traditional audit risk is derived in Smieliauskas (1999, 209–10). With this extended risk model one can provide a more plausible explanation of the Petroni and Beasley anomaly, and, indeed, of the relationship between the extensive quality of earnings literature and that of auditing theory.

today; (2) to explain why they take the form that they do — that is, to explore the general theory underlying today's standards and the particular thinking that has influenced the form taken by individual standards; and (3) to critically evaluate the standards and underlying theory and to appraise strengths and weaknesses with a view to stimulating discussion and possible improvement. In this, the authors succeed admirably, recognizing that their underlying philosophy can be described as "liberal" in the political philosophy sense and thus, perhaps, appropriate to the Canadian scene. While the book's focus is on Canada and Canadian GAAP, the relevant U.S. FASB standards are included.

The content of the book is as follows. Part I contains a brief excursion through the history of accounting; chapters 2 and 3 review the emergence and development of the record-keeping and financial reporting function of accounting; and chapter 4 examines the effects of developments in academic thinking and research on the information value of accounting and the recent steps taken in the internationalization of standard setting and standards. Against this background, part II examines and critiques the state of current accounting standards, including the increasing influence of capital markets and financial theories on standard setters struggling to cope with the new complexity of business.

Chapters 5 and 6 are particularly valuable. Rather than taking a mainly technical and mechanical perspective focusing on how to implement GAAP (as is the case with many textbooks at this level), the authors present a thoughtful and sophisticated perspective on key fundamental issues and conundrums facing accountants today when attempting to faithfully and fairly represent the financial and economic transactions, events, and activities of contemporary business and commercial entities.

As a case in point, regarding basic principles of cost measurement, cost matching, accruals, and revenue recognition, the authors write (71):

A very serious deficiency [in these respects] is the lack of any clear accounting theory as to how income should be defined. For example, traditional accounting practice had stressed that income should be "realized", but the exceptions allowed prove that this is a rule of convenience rather than a fundamental characteristic of the concept of income. As a result it has been difficult to achieve cohesive standards for the recognition of earned revenue and income.

Part III, the "guts" of the book, provides excellent overviews of basic topics, including accrual accounting; revenue recognition; income measurement: expense recognition, losses, and contingencies; accounting for assets, liabilities, and capital; inventory and cost of sales; tangible assets and depreciation; intangibles and leases; compensation, pensions, postemployment benefits, and stock options; government assistance; income tax accounting; financial instruments; presentation issues, business combinations and intercorporate investments; foreign currency translation; disclosure issues; and accounting for changing prices. There are first-rate chapters on the current standards and practices in each of these topics. The revised edition, however, dropped the chapters in the first edition that dealt with specific accounting practices for industries such as oil and gas, insurance, and finance. This is a loss, I think, given that they are fundamental to the Canadian economy and business, but given the large amount of new issues and problems that have arisen since 1987, this is an understandable trade-off.

Part IV reviews the attempts to put in place a conceptual framework for standard setting and financial reporting, and contains a chapter on the nature and goals of accounting standards in the context of forces of change and the challenge of international accounting standard setting. Finally, part IV deals with accounting for not-for-profit organizations and the conceptual and specific issues facing government accounting and financial reporting. Each chapter includes a valuable list of relevant references that students and other interested readers can look up if they want to go into more depth on particular issues and problems.

In addition to excellent coverage of these specific topics, another strength of the text is the historical perspective taken by the authors (xiv):

[T]he strong belief of the authors [is] that an understanding of the past development of ideas will help us in the present and the future. All of us have our ingrained mind-sets, and it is instructive to look back and see how much of previous conventional wisdom has proven to be ill-suited to changing conditions ... Accountants could do well to study the history of their discipline and how it has responded to changes in its environment.

This book, then, is unique in that it puts practice and standards in their historical context, thus giving readers a broader perspective on the current state of accounting than the more typical technical and “chug and plug” approach.

That having been said, for Canadian academics like myself, there is a major lacuna in the authors’ choice of material — especially any material dealing with the historical development of the profession and accounting theory, despite the large corpus of scholarly work with a critical theory perspective on accounting and the profession. This absence is not only surprising; it also suggests a serious gap in view of the recent plethora of accounting scandals and chicanery, especially south of the border, by the Enrons, Worldcoms, Ciscos, and Global Crossings of the world.

A vital case in point is the research and writing of Abraham Briloff (1980, 1990, 1993), the intrepid and consummate scholar, who has meticulously and relentlessly documented over the past five decades how the accounting profession (mainly in the United States) has violated and desecrated its enshrined covenant with society. Some of the most flagrant abuses involved accounting for consolidations, special-purpose enterprises, goodwill, inventory, leases, intangibles, foreign currency translations, income taxes, oil and gas exploration, and sophisticated financial instruments including derivative securities — all topics in the Skinner and Miller book. The list of corporations involved in these egregious scandals, abuses, and cover-ups reads like a cross-section of corporate America. Furthermore:

Briloff also provides evidence that the entire financial community acted complicitly in perpetrating this state of affairs. For example, he documents how the FASB and the SEC scrimshanked, year after year, in not coming to grips with the “chimera” of accounting reporting issues and practices ... Briloff also shows how corporations exploit the confusion reigning in accounting practices and standards ... Nor are academics exempt from this sad state of affairs. To exacerbate this condition in the realm of practice, the presumably independent academic accountants have been subtly co-opted by the oligopoly [the Big Six, now the Big Four accounting firms] ... Academics, it seems, have also lost their

independence from society and are no longer capable of critically evaluating the profession.³ (Macintosh and Shearer, 2000: 611)

Moreover, the research by accounting scholars around the globe, published in journals such as *Critical Perspectives in Accounting*, *Accounting, Organizations and Society*, and *Accounting, Auditing & Accountability Journal*, gets no mention. Surely, in the interests of providing readers, especially students, with a balanced and intelligent perspective about accounting and the profession at large, I hope that this important gap will be filled in the next revision.

That limitation notwithstanding, I highly recommend the book for students interested in a career in professional accounting and for accounting instructors who want to push their students beyond a merely technical application of GAAP.

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3. As Briloff writes (1993: 333): “this has been accomplished by providing conferences and symposia in most agreeable venues, the hosting of lavish receptions, endowing professorships and research grants. When representatives of the firms appear on campus to present a distinguished lecture or to counsel, regarding the education of the profession, the guests avoid being challenged regarding the conduct of his or her firm in particular cases.”

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