

MEMORIAL

# An Intellectual Memorial to Robert Raymond Sterling, Accounting Reformer

Thomas A. Lee and Peter W. Wolnizer

Driven by keen intellectual inquisitiveness, purpose, and conviction, Robert Raymond Sterling (1931–2010) dedicated his professional life to developing scholarship in accounting education, practice, and research. He did so with what his Australian intellectual counterpart and kindred spirit, [Raymond John Chambers \(1997, xvii\)](#), described as a “sustained, but temperate, passion.” We are honored to write this intellectual memorial to Sterling. Although from the United Kingdom and Australia, respectively, we had the privilege, benefit, and pleasure of knowing him as a colleague, friend, and mentor for more than 25 years. We present this memorial, however, knowing that no finer intellectual tribute could be paid to Sterling than that written by Chambers in his invited essay, “Sterling as Scholar,” published in an edited anthology of Sterling’s published papers ([Lee and Wolnizer 1997, vii–xxxi](#)). We warmly commend Chambers’ tribute to Sterling to all who wish further insight into this remarkable theoretician’s scholarship.

Our purpose is not to document Sterling’s life, work, and academic career extensively, although, for the convenience of readers, we initially record his key appointments and achievements, as they provide an understanding of his scholarly legacy. A more extensive description of Sterling’s life is given in the tribute rendered at his memorial service in Houston, Texas, on July 2, 2010 ([Wolnizer 2010, 229–231](#)). Instead, in this memorial, we seek to set forth and assess historically Sterling’s intellectual contributions to accounting education and research. We believe they are profound and will be revisited by scholars of the future.

## STERLING’S APPOINTMENTS AND HONORS

Sterling’s academic preparation began with two degrees from the University of Denver (B.S. in economics and M.B.A.), and a Ph.D. in economics from the University of Florida in 1965. After serving on the faculty at the State University of New York at Binghamton from 1963 to 1966, he completed a one-year postdoctoral fellowship in the Departments of Philosophy and Physics at Yale University. Following his time at Yale, Sterling was appointed to the faculty at the University of Kansas in 1967, promoted to full professor in 1969, and appointed Arthur Young Distinguished Professor of Accounting in 1970. It was during his tenure at Kansas that he organized and chaired the first in a series of colloquia that brought together cross-disciplinary scholars and academic and

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practicing accountants with the intention of facilitating an interchange that might be beneficial for the development of accounting theory and practice (Sterling 1971, v). With financial sponsorship provided by professional accountancy firms, the colloquia proceedings were published by Scholars Book Company (established by Sterling in 1971). The company published original works and reprints of accounting classics of the 20th century, thus making out-of-print works readily accessible to a new generation of accounting researchers and teachers.

In 1974, Sterling was appointed Jesse H. Jones Distinguished Professor of Management at Rice University in Houston, Texas, later serving as founding Dean of the then Jesse H. Jones Graduate School of Administration (now Business) at Rice (1976–1980)—the career appointment of which Sterling was most proud. He attracted to the Jones School several distinguished scholars—including Philip Bell, Edgar Edwards (for many years a professor in the Department of Economics at Rice), and Stephen Zeff, all of whom are members of the Accounting Hall of Fame, and Arthur Thomas. Also in 1974, Sterling founded the Accounting Researchers International Association (ARIA), a small self-elected and academically distinguished group of accounting scholars—the founding members being Sterling (Rice University), Yuji Ijiri (Carnegie Mellon University), George Staubus (University of California, Berkeley), and Arthur Thomas (University of Kansas) (Clarke et al. 2011). From the papers and correspondence pertaining to ARIA and preserved in the R. J. Chambers Archive at the University of Sydney, it is apparent that Sterling’s motivation in establishing ARIA was to facilitate a discourse among eminent accounting scholars that might lead to improvements in accounting scholarship and practice. As was the case with the distinguished faculty members he recruited to Rice, the members of ARIA held divergent views about accounting doctrine. This was of no concern to Sterling, for demonstrated scholarly excellence was the touchstone of his recruitment strategy as that gave greatest promise to accounting reform.

After leaving Rice in 1980, Sterling was appointed Visiting Winspear Distinguished Chair at the University of Alberta (1980–1981), Senior Fellow at the Financial Accounting Standards Board (FASB) (1981–1983), and then, in 1983, Kendall D. Garff Distinguished Professor of Business Enterprise at the University of Utah until his retirement in 1991 (having a keen sense of humor, he often quipped he was the “Undistinguished” Professor of Accounting). However, Sterling was anything but an undistinguished professor of accounting. He wrote two book-length *magnum opuses* that, today, stand as distinguished original contributions to accounting thought, i.e., *Theory of the Measurement of Enterprise Income* (Sterling 1970a) and *Toward a Science of Accounting* (Sterling 1979). His 1985 monograph, *An Essay on Recognition*, written while Senior Fellow at the FASB and published as the first R. J. Chambers Research Lecture at the University of Sydney, was a groundbreaking work. In addition, Sterling was the editor of eight major works, and many of his more than 60 articles were published in leading accounting journals—e.g., *Abacus*, *The Accounting Review*, *Journal of Accounting Research*, and *The Journal of Accountancy*—including two for which he received the AAA’s and AICPA’s Notable Contribution to the Accounting Literature Award (Sterling 1968a, 1973). Further, he was designated a Science Faculty Fellow by the National Science Foundation, appointed as the first Distinguished International Lecturer in Accounting from the United States by the AAA in 1976, and inducted into the Accounting Hall of Fame at The Ohio State University in 2006. He served the AAA in numerous positions, including Director of Research from 1972 to 1974.

### DEFINING STERLING’S SCHOLARLY LEGACY: TOWARD A SCIENCE OF ACCOUNTING

We have often thought that Sterling’s postdoctoral work at Yale had a defining impact on his life-long scholarship. There, he became immersed in literatures beyond the fields of accounting and economics, especially those of the history and philosophy of science. Sterling was not only widely

and deeply read, he regularly engaged with scholars and practitioners in several disciplines. In his first *magnum opus*, he acknowledged his debt to an institutional economist, a neoclassical economist, a philosopher-metrician, a philosopher-axiologist, a physicist-philosopher, and a philosopher of science—all cross-disciplinary scholars (Sterling 1970a, xii). His inquiries were thus insightfully directed by an informed appreciation of a multi-disciplinary repertoire of literatures that also infused his published scholarship with an intellectual potency and literary style seldom seen, before or since, in the accounting literature. This wellspring of knowledge informed his formulation of profound research questions as well as his deft and rigorous execution of their examination.

Being neither faddish nor popular in his time, Sterling's ideas and inquiries were concerned with the commercial and economic phenomena that are the substance and determinants of an actor's or entity's financial position and performance, and how to measure them in contemporary, real financial terms. These were what he called "the subject matters of accounting" (Sterling 1993). Sterling addressed what he believed to be the fundamental question of accounting research: "Which objects and events, and which attribute(s) of them, should be represented in accounts and on financial statements?" (Sterling 1990b, 97). Unlike most of his peers, he was not concerned with the study of conventional accounting practice *per se* or with the behavior of accountants. Neither was he fixated with competing or in-vogue research methods. Instead, he took the view that empirical questions must be addressed by empirical modes of inquiry, and analytical questions by analytical modes of inquiry. Sterling was always concerned with the substance of a question and with its potential for beneficial impact upon accounting thought and practice. In short, he was concerned with accounting problems and problem solving. An intellectual exchange with Sterling was a memorable and educational experience, as his incisive intellect, formidable and articulate debating skills, and sheer command of his subject were legendary.

Chambers captured the essence of the driving force within Sterling's scholarly work as follows:

A genial and easy demeanor has been the beguiling accompaniment of an inquisitive disposition to learn alike from the legacy of scholarly antecedents, events of the past and the immediate present, and the countless engagements with the varied acquaintance that circumstances provided. Sterling would challenge obscurity, inconsistency and unreason with argument and example from what sometimes seemed an inexhaustible armory. He would engage freely with professionals and academics, in and beyond the accounting domain, enriching his judgment and molding and strengthening his convictions. In exposition and debate alike, he has been governed by the patience and care that are the hallmarks of disciplined inquiry and artful instruction. (Chambers 1997, xvii)

The following sections expand on these conclusions in greater detail.

### **Sterling on Measurement and Decision Usefulness in Accounting**

Sterling's principal intellectual legacy is his application of the theory of measurement to accounting. In *Theory of the Measurement of Enterprise Income* (Sterling 1970a), he explicated the notion of income in the context of the financial affairs of a single wheat trader. By analyzing what information was pertinent to financial actions, he identified the key elements of income and the attributes of these elements that were commonly required for informed financial decision making. He considered many different decision models and decision makers and concluded that exit values were relevant to more decisions than any other valuation alternative. Accordingly, as with Chambers, Sterling is most commonly and widely known for his advocacy of exit value accounting as the most decision-useful accounting information. But Sterling's legacy far transcends this principal conclusion.

At the heart of Sterling's work was his quest for "a science of accounting," a pursuit that extended naturally from his application of measurement theory to accounting. Elucidated in many of his subsequent works (but most notably in "Measuring Income and Wealth: An Application of the Relevance Criteria" [Sterling 1972], "Relevant Financial Reporting in an Age of Price Changes" [Sterling 1975a], "Toward a Science of Accounting" [article, Sterling 1975b; book, Sterling 1979], "Accounting at the Crossroads" [Sterling 1976], and *An Essay on Recognition* [Sterling 1985]), he explains that measurement is an empirical process and that the related elements of income and wealth are observable economic phenomena. The numerical representations of these elements in terms of dated market prices and price-level changes are empirically testable, and hence the "verity" of statements about them can be independently verified or authenticated by reference to independently discoverable commercial evidence. A recurrent theme throughout Sterling's published works, therefore, is that the accounting numerals stated in financial statements must correspond with the empirical phenomena they purport to represent (i.e., "the correspondence concept") and that aggregations of them must meet the empirical test of "additivity," i.e., the empirical veracity of aggregating individual measurements of an attribute (Sterling 1979, 162–174). His fundamental criticism of conventional accounting practice based on fictitious cost allocations is that it is "calculational-nonempirical" (Sterling 1977, 236, 249–250) and, thus, not measurement.

In addition to *Theory of the Measurement of Enterprise Income* (Sterling 1970a), Sterling's major works on the construction and verification of theories include "Elements of Pure Accounting Theory" (Sterling 1967a), "On Theory Construction and Verification" (Sterling 1970b), "Relevant Financial Reporting in an Age of Price Changes" (Sterling 1975a), and "A Statement of Basic Accounting Theory: A Review Article" (Sterling 1967c). The intellectual richness of these expositions derives from his understanding of the role of theory in scientific inquiry, the place of signs in theory, and the relationship between signs and observable objects and events—hence, the nature and role of measurement as an empirical process. His advocacy of a scientific approach to accounting, based on a rigorous application of measurement theory to accounting, infuses much of his writing, but is especially at issue in "Toward a Science of Accounting" (article, Sterling 1975b; book, Sterling 1979) and "Confessions of a Failed Empiricist" (Sterling 1988). In his review of the AAA's *A Statement of Basic Accounting Theory* (Sterling 1966), Sterling endorsed the Committee's deductive approach to theory development and applauded its "break" from previous inductive and empirical approaches that were essentially descriptive of the sum of (then) contemporary accounting practices—thus committing "the elementary fallacy of getting *ought* from *is*: to conclude that *is* is what *ought* to be" (Sterling 1967c, 96; emphasis in the original).

### Sterling on Conventional Accounting Practice

This section draws from material we used in our previous editorial essay on Sterling's work (Lee and Wolnizer 1997, 321–323). Beginning with his earliest writings, Sterling acknowledges that, in relation to conventional accounting, he takes a "critic's stance." However, he also makes plain that "the purpose of a critic is the improvement of the system by elimination of inconsistencies and error . . . One criticizes only that which one cares about and only when one cares enough to try to improve it" (Sterling 1968b, 589). While in the case of each principle or concept Sterling's critical analyses are comprehensive in scope, they all reduce to one fundamental point: "[T]hat with rare exceptions accounting numerals do not represent [real world] phenomena . . . and that making numerals represent or not represent phenomena is a matter of choice" (Sterling 1988, 4). Because "the subject matter of accounting is numerals, not magnitudes of wealth and profit," he further argues that conventional accounting practice is "numerology," a "calculational activity," the results of which "have no empirical referent" (Sterling 1993, 133, 139). This, he declares, is "the most serious problem" facing accounting practice: "[A]ccounting practice

numerals need to be made meaningful by making them empirically verifiable, demonstrating that they are decision-useful (not merely used), and defining them operationally” (Sterling 1993, 139).

Sterling’s expertise as a theoretician is further exemplified in his meticulous dissection of the conventional accounting doctrines of conservatism (Sterling 1967b), going concern (Sterling 1968a), uniformity (Sterling 1969), and recognition (Sterling 1985). With flawless logic and cogent argument, he lays bare the egregious errors, inconsistencies, and contradictions of conventional accounting. He claims that the notion of conservatism is “the fundamental principle of valuation in [conventional] accounting” and “the premise . . . from which the historical cost-realization rule is derived” (Sterling 1967b, 112). He concludes that “since verity is a *sine qua non* of information, . . . conservatism yields, not only zero information, but also, misinformation” (Sterling 1967b, 131). Going concern, which he describes as “the accountant’s firm model,” is shown to be “one of the most important concepts in [conventional] accounting” (Sterling 1968a, 481). However, after arguing that “the allegation that the going concern is necessary to accounting has not been proven and there are strong arguments to the contrary” (Sterling 1968a, 484), he demonstrates, paradoxically, that the conventional notion of going concern “implicitly contains the conditions necessary for a firm in a stationary state” as against a firm that is a going concern in a volatile state (Sterling 1968a, 489).

The uniformity versus flexibility question in conventional accounting has also been dealt with analytically and empirically by Sterling (e.g., Sterling 1966, 1969; Sterling and Radosevich 1969). As a consequence of traditional accounting being “conventional” and “calculational-nonempirical,” Sterling argues that the “perceived alternative to determining truth [in accounting] was the adoption of rules” (Sterling 1977, 250). Observing the flexibility of accounting practices allowed by accounting rules, he concludes that “calculation is a much safer activity than determination of the (empirical) factors” (Sterling 1969, 47). However, after noting that “to let management or the taxing authority make the determinations is a good way to avoid responsibility,” he warns that “if we continue to define the accounting process so as to make it safe and so as to avoid responsibility, we may define it so narrowly that it withers and dies” (Sterling 1969, 47).

Against the background of this warning, his experience as Senior Fellow at the FASB and the critical concern he had for the future of accounting, Sterling presented *An Essay on Recognition* in 1985. A seminal work, this deals “with the fundamental question of which words and numerals should appear on *all* financial statements and what those words and numerals should represent” (Sterling 1985, 2; emphasis in the original). Drawing upon cartography as an analogy, he argues that “the first task of recognition is to select the phenomena that are relevant to rational investment, credit and similar decisions. The second task of recognition is to faithfully represent the relevant phenomena and to provide assurance, via verification, that they are faithfully represented” (Sterling 1985, 85). In keeping with his scholarly motivation as a critic of conventional accounting practice, he states that his objective is developing “concepts to guide decisions on recognition” and “to improve [conventional accounting] practice” (Sterling 1985, 4). This conviction also led Sterling to be critical of conventional audit practice:

The verification of a figure requires that an empirical operation be specified which can be repeated by the verifier. We seem to be moving toward the mistaken idea that verification is the repetition of an arithmetical operation and that it is management’s responsibility to estimate the variables and select the functional form in which the variables are related. This notion of verification makes management responsible for the determination of quantities and the selection of accounting methods. (Sterling 1968b, 594)

In sounding these warnings, Sterling was prescient, as in his article “Accounting at the Crossroads” (Sterling 1976). In contrasting “the legal method: authority” and “the medical method:



science” to answering questions, Sterling urges the accounting profession to adopt a more scientific and less legalistic approach to accounting practice. He concludes:

Accounting is at the crossroads. We can emulate the law and continue to employ the method of authority. If we do, then we will become more and more legalistic. This will result in more statutes, in more detail, from more legislative bodies. Accounting will become more and more political . . . Thus we can expect more and more political pressure from various interest groups being applied to the FASB. (Sterling 1976, 87)

It seems to us that, in the light of regulatory proliferation and continuing crises in accounting standard setting following the most recent spate of surprise corporate failures and the global financial crisis, Sterling’s prediction of 35 years ago is remarkably insightful. The preferred alternative put forward by Sterling:

[i]s to adopt the method of science. If we are able to do this, then the first thing that we must do is to quit reinforcing the notion that accounting is inherently unscientific. We must cease lamenting our unscientific subject matter and begin to look for ways of making it scientific. The most important thing that we must do in this direction is to redefine our subject matter. We have previously defined our subject matter as unobservable fictions. Unobservable fictions are not subject to scientific tests. My candidate for a new subject matter is exit values. My main reason for selecting exit values is that they are useful to a great many decisions. (Sterling 1976, 87)

In the light of contemporary debates concerning mark-to-market or fair value accounting, the warnings and challenges of Sterling—over three decades—could not be more compelling or timely.

### **Sterling on Accounting Education and Research**

As with the previous section, we again draw upon our aforementioned essay (Lee and Wolnizer 1997, 651–653). A recurrent theme in many of Sterling’s works is the disjunction between research and education in accounting (Sterling 1973, 1975c, 1982). It was his opinion that the contact between accounting research and practice “is so nebulous that it can be disregarded . . . [whereas] education and practice seem to be complementary in that educators teach accepted practice and practitioners accept and practice what they are taught. This complementary relationship excludes research from the chain of events that determine what is taught and what is practiced” (Sterling 1973, 46, 49). Consequently, “the results of research [in accounting] have very little impact on teaching or practice” (Sterling 1975c, 58). In this regard, Sterling contrasts the training of engineers (in Sterling 1975c) and medical practitioners (in Sterling 1982) with the training of accountants and argues that when medical theory and practice were connected:

[m]edical practice improved dramatically. New students were taught new techniques as they were discovered and they implemented those new techniques when they went into practice. They did not have to unlearn old techniques, they did not suffer from trained incapacity, and therefore at the date of graduation there was no dichotomy between theory and practice. (Sterling 1982, 70)

In other words, they were not taught reverence for dogma. However, “teaching generally accepted accounting principles means . . . that the new generation of students is taught to do what previous generations are now doing. This is reinforced when the new generation is hired by the previous generations and required to emulate them to achieve success” (Sterling 1982, 71).

With this in mind, from his earliest writings onward, Sterling was concerned that accounting students were taught theory rather than “the intricacies of arithmetic” (Sterling 1962) and warned

that in accounting we teach tolerance of “cognitive dissonance” (Sterling 1967c). He was particularly focused on the quality of accounting education, for it was his “settled view that the betterment of accounting must begin in the classroom. Today’s students are tomorrow’s practitioners and the ideas we impart to them will determine, in significant measure, the future course of accounting practice” (Sterling 1989, 82). Sterling’s experience as Senior Fellow at the FASB convinced him “of the significant influence of teachers on standard setters and thence on standards” (1989, 83).

It is not surprising that, in the light of Sterling’s theoretical work, he proposed:

[t]hat we begin to teach . . . the need for correspondence of a calculated numeral to an independent observation (measurement) of the phenomena that the numeral purports to represent. This is a common-sense idea as well as a criterion (and practice) common to *all* sciences, and a little used, less understood qualitative characteristic [representational faithfulness] in FASB’s conceptual framework. (Sterling 1989, 85; emphasis in the original)

To investigate the relative understanding of the “correspondence concept” by accountants and scientists, Sterling devised a simple set of questions based on the differences between the calculation and measurement of the attributes of “cost” and “volume.” The test results are reported, in varying contexts, in Sterling (1988, 1989, 1990a). He found that accountants generally did not understand the correspondence concept—a “fatal error” according to Sterling—whereas scientists fully comprehend it and consider it to be crucial. Later, by use of the same test, Sterling (1990a) found that accountants, unlike scientists, did not understand the essential element of the notion of additivity.

While urging accounting educators to teach the correspondence concept, Sterling nevertheless observes that those who do so “will be disappointed if they expect to find support or guidance in the accounting research literature” (Sterling 1989, 92). Recalling his suggestion in 1973 that accounting research results be taught to accounting students, Sterling later wrote “that lacuna requires that I rescind my previous (1973) recommendation . . . I made that recommendation at a time when most researchers asked questions about what to record and report or how to improve the reporting, but accounting research has become increasingly distant from questions of that kind” (1989, 92). In a devastating and, to our knowledge, unanswered critique of positive accounting theory (PAT), Sterling describes the vastness of this distance:

*What ought accounting practices be? More fully, which objects and events, and which attribute(s) of them, should be represented in accounts and on financial statements? That ancient question was examined by all the past contributors to accounting thought, and by consensus of these contributors was the fundamental question of accounting. At base, that question concerned the states and activities of the firm, especially in regard to wealth and income, and how best to account for them. Now comes “positive accounting theory” . . . with the message that questions about what ought to be the contents of accounts are unscientific. Positive theorists assert that . . . [t]he question should be changed from “What ought accounting practices be?” to “What are accounting practices?” (Sterling 1990b, 97–98; emphasis in the original)*

This, he explains, is a “radical alteration of the fundamental question of accounting (Sterling 1990b, 98). Having critically examined PAT (Sterling 1990b) and its “empirical” forerunner (Sterling and Harrison 1974), Sterling concludes that the errors of positive accounting are “egregious” (because it confuses “disparate subject matters”), “pernicious” (because it restricts inquiry to the “positive study of practices and practitioners”), and “untutored” (because it claims to be “in accord with economics and science”) (Sterling 1990b, 121). Having already argued that “the

ultimate test of any research program is whether or not it bears fruit” (Sterling 1982, 67), Sterling concludes that “the accomplishments of (PAT) are nonexistent. Instead of bringing forth interesting or unexpected or edifying results, (PAT) has presented us with findings that are empty and commonplace” (Sterling 1990b, 131). Later, he described PAT as “anthropology,” and declared “I don’t see how studies of accountants can ever bear fruit, especially in view of the fact that proscribing the assessment of practitioner behavior makes such study an end rather than a means” (Sterling 1993, 139).

### ASSESSING STERLING’S SCHOLARLY LEGACY

Sterling’s first publication (1962) was an instructive article on accounting for partnership goodwill. The article contains simple mathematical explanations of the topic but offers no comment or criticism of accounting. Sterling’s last publication (1993) was an essay on the subject matters of accounting practice and research. In contrast to his 1962 article, the 1993 essay is a detailed criticism of conventional accounting based on rules and calculations and of accounting research devoted to anthropology rather than theory and practice. The dates between the two publications bound a research career that, from a historical perspective, appears at first glance to deal almost exclusively with the failures of conventional accounting based on historical cost, the limitations of alternatives such as present value and replacement cost, and the benefits of exit valuation. Such a perception is misleading and needs further explanation.

As we suggested previously, the most historically significant works by Sterling are *Theory of the Measurement of Enterprise Income* (Sterling 1970a) and *Toward a Science of Accounting* (Sterling 1979). The 1970 text presents a theory of the measurement of income predominantly from the perspective of the decision relevance of alternative asset valuation models. In other words, it deals with the issue of the asset valuation model best suited to replace conventional accounting. Using a research design informed by philosophical and scientific thinking, Sterling (1970a) presents his argument for the use of exit values within a simplified trading model. He concludes that, although his exit value solution in this case is not generalizable beyond this model, it is at least relevant to a specific type of business in practice and, therefore, preferable to the prevalent unresolved general situation (Sterling 1970a, 4).

Sterling (1979) is a more generalized argument for abandoning conventional accounting and using instead an exit valuation model that recognizes and represents the subject matters of business activity relevantly and reliably in accounting terms. Throughout his career, Sterling’s research and writings (such as Sterling 1970a, 1979) reflect his growing awareness of the need to observe, recognize, and understand the subject matters of accounting prior to dealing with the issue of how to represent them with accounting numerals. We believe his contribution to the history of accounting thought is, therefore, much more than his criticism of conventional accounting or his advocacy of exit values. Instead, it is about observing what has to be accounted for before deciding on how best to account for it—an approach that every scientific researcher should agree is common sense and necessary to finding logical solutions for observed problems. Sadly, it is an approach not apparently recognized or understood by contemporary accounting standard setters (Sterling 1988, 3–4).

Sterling’s research program from the 1960s to the 1990s also needs to be placed within a historical context. His decision to research the long-standing and unresolved issue of conventional accounting for economic phenomena in a business context did not occur in a vacuum (Sterling 1970a, 3). When Sterling first addressed the problem of the questionable utility of conventional accounting in the early 1960s, the latter existed as a consequence of several centuries of influence by a number of factors that restrict its potential utility. He later wrote of these factors in an essay that was published outside the mainstream accounting literature (Sterling 1977). The factors he



identified include the creation and maintenance of a body of accounting knowledge consisting of a growing set of arbitrary and connected rules uninformed by theoretical argument and largely attributable to non-accountants. From the public dissemination of double-entry bookkeeping knowledge by clerics, teachers, and merchants of the 15th, 16th, and 17th centuries to accrual and allocation accounting recommendations of engineers, business managers, and lawyers of the 18th, 19th, and 20th centuries, conventional accounting has been shaped as a rule-based function designed to create an accounting database for management from which it could speedily and easily extract periodic financial statements.

The rule-based conventional accounting model remained fundamentally unchanged throughout Sterling's career, despite a long-standing uniformity-flexibility debate and a gradual evolution from voluntary to mandated practices set initially by individual professional accounting associations and then by separate standard-setting bodies. [Sterling \(1977, 5–36\)](#) specifically argued that this relatively unchanging body of accounting knowledge is the product of several centuries' habit of thought centered on rules that reduce accounting to a calculational process involving a great deal of arbitrary and subjective judgment by managers, accountants, and auditors involved in financial statement preparation. He further forecasted that accounting would increasingly become a legislative function in which the state took the primary role to protect the public interest by prescribing practices by law ([Sterling 1977, 36–42](#)). Arguably, this has not happened in this form, although the current development of the International Accounting Standards Board (IASB) becoming the sole global accounting standards body and quasi-legal arbiter of accounting issues has similar characteristics. Indeed, not only does the IASB prescribe standards that assume homogeneous cultures, societies, and legal systems, but it does so as a largely unelected and unaccountable body.

Sterling's scholarly legacy from more than 30 years of observing conventional accounting is rightly categorized as a significant contribution to the development of accounting thought. However, his analyses, criticisms, and recommendations can also be perceived as an extended questioning of the professional status of accountants and their professional project. The term "professional project" is attributable to [Larson \(1977, 49–52\)](#) who defines it generally as the processes by which an occupational group translates its members' skills into market-related services and economic and social rewards from these services. Such processes involve establishing monopolies of competence (including the right to exclusive use of expert skills to provide needed services), privileged social status because of these monopolies (including the right to self-regulate), and work autonomy (including the right to self-determine expert skill standards). As [Abbott \(1988, 52–58\)](#) argues, of primary significance in a professional project is the existence of an abstract body of knowledge from which occupational skills can be developed, taught, and practiced and with which the profession can determine jurisdictional boundaries for its practitioner members with respect to other occupations. The abstract body of knowledge provides the profession with the public legitimacy and approval necessary to maintain its members' privileged status in society.

Once society accepts the monopolistic and controlling nature of a specified profession, such as accounting, then its members have an effective license to practice as they determine. In the case of accounting, however, [West \(2003\)](#) concludes that the professional status of accountants is questionable because their body of knowledge is rule-based and lacks a theoretical foundation. (In personal conversations with both of the present authors, Sterling described West's book as the definitive text on the impoverished state of accounting, accountants, and the accounting profession. With becoming modesty, he said that he wished he had been able to make the case in as compelling a fashion as West had.) These matters are relevant to Sterling's research because, before anything else, he focused as a researcher on the impoverished state of the body of accounting knowledge underlying the skills of professional accountants and, therefore, brought into sharp relief the dubious professional status of accounting practitioners.

Sterling produced several papers over the years in which the state of the accounting profession was the effective target of his analyses and criticisms of the state of conventional accounting. As we previously explained, some of these papers are explicitly about the relationship between accounting research, education, and practice (e.g., [Sterling 1973, 1989, 1990a](#)), whereas others require their readers to consider such relationships more indirectly. Of particular concern to Sterling was how and why accounting researchers, teachers, and practitioners appear content to live in parallel universes with respect to the state of accounting knowledge. Sterling observes that conventional accounting is taught in the classroom and practiced in the business world without regard to the paucity of its conventions and the availability of more relevant and reliable alternative models of accounting. He also observes that most accounting researchers ignore the flaws of conventional practice and the potential of alternative models in favor of a research focus he describes as accounting anthropology ([Sterling 1989, 16–17](#)). Sterling believes that the desired or desirable states of accounting rarely appear in classroom curricula to inform future practitioners. Indeed, teachers and students of conventional accounting appear unaware of its limitations and failures.

From this perspective, Sterling's research association with the professionalization of accountants is captured in his arguments about the need for reform in the accounting classroom and research laboratory. Of particular relevance here is his recommendation to accounting instructors of the why and how they should teach the subject of representing economic phenomena in accounting terms—i.e., by teaching conventional practice as the current state of knowledge and research results as the desired state, thus reducing practitioner resistance to accounting reform and endowing “accounting with sufficient prestige so that we will no longer need to apologize or defend its methods” ([Sterling 1973, 52](#)). Sterling's concern is that, in conventional accounting practice based on arbitrary rules, accounting representations do not and need not correspond to the economic phenomena they purport to represent. According to Sterling, accounting researchers, teachers, and practitioners appear unaware of, or are unwilling to recognize, this fatal flaw and, therefore, condemn the state of accounting to continuing doubt and criticism. As [West \(2003\)](#) has more recently demonstrated, conventional accounting is based on a set of arbitrary rules that exist without support from a generally accepted theory of accounting centered on correspondence between phenomena and representations; thus, the professional status of accountants is in decline. This is why the research carried out by Sterling can be argued from a historical perspective as being as much to do with accounting professionalization as with accounting thought.

As he stated in his induction address to the Accounting [Hall of Fame in 2006](#):

Anticipating dispute from those who think accounting has made great progress, I looked for a replicative way to gauge the change in accounting. After several false starts, I decided to look at what was being taught to the oncoming generation of accountants. Seven widely used, recently published elementary textbooks were examined and compared to older texts in my library. My findings, in summary, are that the same useless concepts, invalid claims, and meaningless numerals that I studied in my first accounting class circa 1952 are in the current texts. There are many cosmetic differences, but I failed to find any significant substantive differences. ([Sterling 2006, 9](#))

## CONCLUSIONS

Through his long-term quest for a science of accounting, Sterling sought to bring together accounting educators, practitioners, regulators, and researchers in order to identify credible advancements in accounting knowledge, authoritative changes to accounting practice, and transforming improvements to accounting education. In particular, he challenged dogma and convention and advanced logic and reason. He did so in his teaching, discussion, and writing with

simplicity of language, explanations, and illustrative examples. Indeed, in parting advice to the accounting academy, he stated that “one of the ways to avoid being swept up by fads is to demand simplicity and clarity, and refuse to be intimidated by jargon, mathematical symbols, equations and highly stylized symbols of expression that tend (intentionally or inadvertently) to cloud rather than clarify” (Sterling 1990, 132). No conscientious reader of Sterling’s works could conclude other than that simplicity, clarity, and intelligibility are distinctive hallmarks of his published intellectual contributions. He would have been shocked—but not surprised—during the recent global financial crisis about the complexities of conventional accounting numbers in published financial statements of institutions such as banks, which led corporate directors, auditors, regulators, and users to be unable to comprehend the magnitude of the risk to which the financial world was exposed.

In his tribute to Sterling’s scholarship, Chambers (1997, xxix–xxx) wrote:

Sterling’s task was to shake at least some free from the bonds of tradition and convention, by demonstrating that the advances of the sciences could be emulated. The abundance and variety of his illustrations and examples might, he hoped, convince the teachers and legislators that the modes of models of the empirical sciences would lead to unequivocal conclusions, in place of the “incomprehensible mixtures of present facts, historical data and accounting conventions” (MacNeal 1939) that interfere with the reasoned conduct of financial affairs . . . But, with becoming modesty, he would say that his ideas “need to be tested against reason as well as against nature. I invite you to test the ideas, correct my errors, extend any ideas that survive the tests, and join in the fun” (Sterling 1979, xii).

Given the continuing quest of standard setters to refine a conceptual framework (theory) of accounting, the political pressures upon international and national accounting standard setters, the proliferation of public regulations pertaining to corporate financial reporting and governance and, indeed, the contemporary deliberations of the Accounting Pathways Commission of the AICPA and the AAA, the wider accounting community—teacher, practitioner, and regulator alike—might very beneficially consider afresh Sterling’s intellectual legacy and the prescience with which his sage warnings and predictions now bear upon the current plight of the accountancy profession and its future.

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