

## Book review

Accounting History

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Stephen Zeff (ed.)

*Principles before standards: The ICAEW's "N Series" of recommendations on accounting principles 1942–1969*, ICAEW September 2009, ISBN: 978–1–84152–820–5

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As the title indicates, this A4 size volume contains the complete set of the ICAEW's "N Series" of Recommendations on Accounting Principles issued between December 1942 and November 1969. While all the recommendations have since been withdrawn, it is worth noting that the last withdrawal was N 21 "Retirement Benefits" in February 1989 – almost 20 years after the issue of the final recommendation, being N 29 "Trust Accounts".

The Recommendations cover many issues that are still relevant today and show how they have developed over time. For example, taxation (N3, N19, N27), stock (N10, N22), presentation of balance sheet and profit and loss account (N8, N18), inflation accounting (N12, N15), depreciation (N9), and post balance date events (N17).

Thus, at the outset, it should be recognized that "the Principles" have merit in their own right as well as serving as the foundation stone for the later issue of SSAPs by the UK Accounting Standards Committee and FRSs by the UK Accounting Standards Board. They also exerted influence internationally. For example, the principles served as an early basis for the initial development of Australian Accounting Standards through the then two professional accounting bodies and the Australian Accounting Research Foundation (AARF).

While the book's major focus is on the reproduction of the 29 Principles they are also accompanied by an incisive editorial from Zeff who provides a general background emphasizing the highs and lows of their development. For example, Zeff notes that both in the USA and UK "... the first two programs for establishing accounting principles undertaken by professional accounting bodies were not in response to leadership by their members in practice" (p.5).

Accompanying the editorial is an extract from Zeff's book *Forging Accounting Principles in Five Countries: A History and an Analysis of Trends* (1972). This extract focuses on the history and development of the Principles, commencing with the Institute's establishment of the Tax and Financial Relations Committee in 1941/1942 and proceeding through to their cessation in 1969.

Given the debates on the principles and concerns about how accounting theory should be developed, an important further inclusion is Professor William Baxter's article "Recommendations on Accounting Theory". This first appeared in the October 1953 issue of *The Accountant* and it is believed it may well have been prompted by the Recommendations on accounting and inflation.

Finally, there is a report of an extensive interview that Zeff conducted in October 2008 with Michael Renshall CBE (ICAEW employee 1960–1977) who became the first ICAEW Technical Director in 1969 and oversaw much of the later work on the preparation and approval of the recommendations. This interview highlights problems with some of the more controversial

recommendations, the personalities concerned and the events that led to the eventual replacement of the recommendations.

The recommendations themselves are preceded by a foreword written in October 1944 by Harold Barton, the then President of the ICAEW, and which was prompted by the need to have the Recommendations published in booklet form.

Those teaching financial accounting and/or with an interest in the history and development of financial reporting standards, especially in the UK, will find this book useful for one or more of the three reasons indicated on page four of the ICAEW foreword, viz.:

as a reminder that it was until comparatively recently still possible to organise financial reporting to a significant extent on the basis of non-mandatory best practice; as evidence for researchers who wish to understand the development of financial reporting in the UK from the 1940s to the 1960s ... not least because the ideas developed in some of these Recommendations have helped shape subsequent debate.

This debate has of course spread worldwide with the development of accounting principles and accounting standards in many countries and is perhaps now seeing its culmination with the IASB's work in promulgating International Financial Reporting Standards (IFRS).

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