Book Review


The growth and continuing spread of multinational corporations, as well as the globalization of capital markets, has led to a steadily increasing interest in international accounting. During the last few decades, this may well have been the fastest growing sub-area of our discipline.

While international differences with respect to various aspects of accounting have been the subject of research for over 30 years, there is much that remains unexplained. The establishment of the International Accounting Standards Committee in 1973, together with its harmonization project, has led to a resurgence of international accounting research. While the current research is primarily descriptive in nature, it represents a necessary step preliminary to more specific and informed inquiry. In recent years, attempts have been made to advance theories relating to the international harmonization of accounting standards and to explain the international accounting standard setting phenomenon.

For me, Peter Walton’s book has been a most welcome source of valuable information that is not easily found elsewhere, and I think that everyone interested in the history of academic and practical accounting on an international scale would not reach a different judgment. This book also constitutes an indispensable complement to the other historical books and summaries.

The readers already familiar with accounting research mainly on the American continent and in English language areas have the opportunity, through this collection, to learn more about such research in Austria, Germany, France, Italy, Spain, Switzerland, Belgium, the Netherlands, and the Nordic countries. There is, of course, the previous book, European Contributions to Accounting Research—The Achievements of the Last Decade, edited by Anthony Hopwood and Hein Schreuder (Free University Press, Amsterdam, 1984). But, as the subtitle indicates, it limits itself, for the majority of contributions, to a single decade. In the book under review, however, there is much of the international historical information one is looking for; it even fills some gaps in one’s knowledge about the English and other European literatures. Most of the contributions, except two, concentrate on a single country; each article offers considerable background information from which one can learn about financial reporting from the Industrial Revolution to the present day as well as of research interests and the pertinent cultural atmosphere of a country and period.

Being an anthology authored by 18 different contributors, including the editor, European Financial Reporting —A History is, of course, bound to be somewhat uneven.
Some authors have actively concerned themselves with their particular subject for many years, while other authors, such as Laurence Took, for example ("The history of financial reporting in Italy"), had less direct knowledge of their subject matter, or had, for the first time, to delve into it. Some may also have fulfilled their task more meticulously than others; some articles, for example, those about Denmark, France, Germany and United Kingdom, are not only more comprehensive but also cite and quote more extensively than others. But this does not change the fact that I found all those contributions a true mine of accounting issues and accounting histories.

The book focuses mainly on institutional and regulatory systems and differences among these systems. It is intended as a reference work for the study of comparative international accounting for researchers in financial accounting and reporting, as it takes into account the fact that different socio-economic and political cultures imply different purposes and different historical developments of accounting in different European countries. The work covers financial reporting from the Industrial Revolution to the present times, even if for some countries, such as Denmark, Germany, Italy, and the Netherlands, it covers historical issues about earlier times. Certainly, the comprehension of accounting practices and regulations, in any one country at any given time, involves a heritage of conditions from the past; so, to study accounting of the present, one cannot ignore a knowledge of accounting of the past.

The book has been written almost entirely by nationals of the countries under investigation; the only contribution by a non-national writer is for Italy, a circumstance that is difficult to understand.

The introductory essay was written by Peter Walton. In this essay, three main motives are mentioned: (a) many countries in the European context have borrowed regulations from other countries so that the idea of accounting harmonization is really old; (b) not all the characteristics established in continental European accounting coming from Napoleon’s 1807 commercial code have survived to the end of the twentieth century, such as the relevance of the balance sheet, thanks to Eugen Schmalenbach in Germany and, the present reviewer would add, Gino Zappa in Italy, even though in Germany, in Italy, and in other European countries, the balance sheet remains the basis of tax accounting; and (c) one of the consequences of the great German inflation in the early 1920s was the German theorizing on inflation accounting by Fritz Schmidt and, I would add, by Theodore Limperg in the Netherlands.

Apart from the second essay by James Foreman-Peck on "Accounting in the industrialization of Western Europe," the other 13 essays are devoted each to one European country (Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom). Several elements distinguish themselves in individual country histories, all of which play a different role in each national accounting system, as well as factors that might explain the variety of accounting systems throughout Europe, for example: the regulatory system, the tax system, the sources of finance, the accounting and auditing profession, and so on. Moving from a frequent set of common sources of regulations, their implementation has been quite different in every country, according also to the role played by the national needs and influences: this was also the case of the adoption of the Fourth and Seventh Directives.

Several authors tell about scholars in their countries who significantly influenced the development of accounting and business economics in those countries. In Finland, Martti
Saario’s expenditure–revenue theory of bookkeeping is based on the realization principle and the depreciation of fixed assets in profit calculation. This theory and its matching principle have led to making depreciation depend on the annual results and, therefore, income smoothing. In Germany, Eugen Schmalenbach developed Betriebswirtschaftslehre as an independent science with the “dynamic balance sheet,” pursuing the consideration of welfare economics (in Schmalenbach’s work can be found also the marginality principle, that is, refraining from covering fixed costs of a product, if profits are made on other products) and Fritz Schmidt proposed the “organic balance sheet at current values.” In Italy, Zappa developed the dynamic aspect of accounting and business economics, which is still predominant. He stressed that, although the focus of accounting is the doctrine of quantitative determinations, these cannot be separated from the study of concern organization and concern management; otherwise, the outcome would have a kind of pure formalism. This was the birth of Economia d’azienda, “concern economics,” which referred to every kind of economic entity, not only the business enterprise. In the Netherlands, Theodore Limperg founded Bedrijfseconomie (similar to the German Betriebswirtschaftslehre and to the Italian Economia aziendale), a system which embedded accounting, organization, and management, that is, all the economic phenomena related to enterprises. In the Dutch view, only such a theoretical basis could guarantee proper practical applications. The theory of current exit values and income became the milestone of Limpergian Bedrijfseconomie. On the practical side, Philips attracted much attention by adopting current cost accounting in its balance sheet and income statement in 1951; its chief internal auditor, A. Goudeket, was an advocate of Limperg’s current cost accounting and Bedrijfseconomie.

The essay on Sweden explains how these concepts (the flow of business, and a dynamic balance sheet with the emphasis on income determination instead of a static balance sheet stressing the worth of the business at a particular date) emanated also in a Swedish context. The same happened in Denmark and in Norway, at least until the second world war, when Germany dominated the literature and the contents of the studies of economics and business administration. Also, Switzerland, in its regulatory process, in the past followed the German law as closely as possible, with legislation that refrained from interfering directly in the accounting field, while today this country is considerably influenced by developments in international accounting.

The reader will be interested in knowing the history of the French Plan Comptable Général and the introduction of the Spanish Plan General de Contabilidad, based on the French one. The essay on the United Kingdom directs attention to the circumstance that a literature on accounting had still to emerge in Britain by the beginning of the nineteenth century and that a major problem until the 1940s for the British accounting profession was that it had no accounting theory to which to appeal and no awareness of the theoretical developments in accounting in other European countries. Those who are fond of music will be pleased to know that Ludwig van Beethoven was one of the most famous shareholders in the Austrian Central Bank and that the first Norwegian educational efforts in commerce occurred in connection with an academy for the fine arts (song, music, drawing, and even bookkeeping) started by the orchestra Harmonien in Bergen.

As the present reviewer is Italian, let me make some remarks about the essay on Italy, written by a non-national. Apart some minor flaws, such as the birth date of Gino Zappa, which is 1879, the essay overemphasizes the relationships between Italian accounting and
Gino Zappa on one side and Fascism and Mussolini on the other. More precisely, the Italian accounting reform in 1942 and the development of Zappa school of thought, whose “manifesto” was his inaugural lecture for the academic year 1926–1927 at the University of Venice, constitute moments quite independent of the prevailing political ideology of that time. Instead, Gino Zappa, upheld by great spirituality and by an ever-increasing love for society, was a profound innovator in his studies of accounting, who, with a scientific approach and rigorous method, unified areas at one time considered almost autonomous, conceiving the theory of Economia Aziendale. Great was the influence of Zappa’s work not only in the academic circles, but also in accounting regulation; for example, in 1974, law no. 216, “Miniriforma delle S.p.A.,” adopted the form and the structure of income statement as proposed by Zappa in his Income Theory. Furthermore, as far as I know, Carlo Masini, one of Zappa’s pupils, did not “concede that he had hoped in vain” about the developments of Zappa’s Economia Aziendale in professional circles, at least in the work cited on p. 163.

The purpose of the book, to present the early formative influences of the development of financial reporting regulations for limited liability companies in a number of Western European countries, is surely achieved, even if, for certain countries, such as Italy, it would be necessary to trace the accounting history for centuries before the Industrial Revolution. The insights provided might be used primarily for scientific, educational, and practical purposes, by scholars, students, and policy-makers, but they can also offer a potential basis for further research. The book shows that European accounting, because of its diversity, is a fascinating subject, enabling great research opportunities. The editor has done a remarkable job in terms of assuring a cohesiveness of the collection and of making the material in the chapters flow smoothly, no easy task when one is dealing with people from 11 countries who do not speak English as their native language.

Reviewed by Giuseppe Galassi
Università degli Studi di Parma
Parma, Italy

NOTES

1. Special mention should be made of Merete Christiansen, the author of the essay on Denmark, whose untimely death in June 1996 at the early age of 43 was a loss to the whole academic accounting community throughout Europe.


European Accounting Guide, edited by David Alexander of the University of Hull and Simon Archer of the University of Surrey, is a sum of 25 individual country guides to accounting theory and practice within countries of the European Union and a selection of...