

# Consolidated Statements: a History and Analysis

R. G. Walker



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## FOREWORD TO SERIES

During the 1960s and 1970s a remarkable series of books were produced by academic staff in the field of accounting at the University of Sydney. All were out of print. The Accounting Foundation believed that they should be made available to a new generation of scholars and researchers.

First and foremost amongst these was *Accounting, Evaluation and Economic Behavior (AEEB)*, written by the University's foundation professor of accounting, R.J. Chambers and first published in 1966. Several distinguished scholars have acknowledged that *AEEB* was a pivotal contribution to the development of the 'decision usefulness' theme in accounting research. It presented a systematic argument for the clarification of the meaning of key accounting concepts (such as 'asset', 'liability', 'equity', 'revenue' and 'expense'). It argued that there was a need to identify the property of assets and liabilities to be measured in accounting—with Chambers proposing the use of current market prices, or contemporary cash equivalents. It also argued for the use of adjustments to the application of money as a measurement scale when there were changes in the purchasing power of money. Decades later, many (though not all) of these ideas were adopted by the international accounting profession, when profession-sponsored bodies published 'statements of accounting concepts' or statements of conceptual 'frameworks'.

Chambers was a prolific contributor to research journals and many of those journal contributions are now available in electronic form. Amongst his later contributions in book form was *Securities and Obscurities*. When first published Chambers freely acknowledged that it was a polemic. Readers are left in no doubt that the world would be a better place if there was widespread adoption of 'continuously contemporary accounting'. Suffice it to observe that during the 1960s, questioning of the 'historical cost' model of accounting was often regarded as a form of heresy. By 2006, a surprising proportion of accounting standards now prescribe the use of market values in asset or liability valuation.

But arguably Chambers' greatest legacy at the University of Sydney was his encouragement of scholarly endeavour by colleagues and students.

The other books re-published at this time were all initially based on research undertaken by academic staff during the 1970s and early 1980s. The topics reflect the diversity of interests of the 'Sydney school' at that time: Clarke (1980) on the history of price level accounting, Walker (1978) on the history of ideas about the preparation of consolidated statements, Wells (1978) on accounting for common costs, and Wolnizer (1987) on auditing as independent authentication.

It was a period when academic research was largely analytical rather than empirically-based; and when the interests of academics at Sydney were largely directed at questioning the status quo—whether that be expressed in the way accounting or auditing was practised, or in the conventional wisdom as expressed in text-books of the time.

The interests of accounting academics have changed over time. But this collection of works displays the heritage of the University of Sydney in scholarly research and advocacy of the 'decision usefulness' theme in accounting.

(Neil Wykes)  
President, Accounting Foundation  
University of Sydney

## PREFACE

The following material has been taken from a PhD thesis submitted to the University of Sydney in 1976. In an effort to reduce the length of the manuscript for publication, the last chapter of the thesis was omitted. What remains is mainly historical. The last chapter (“An evaluation of the information conveyed by consolidated statements”) appeared in *Abacus* Dec. 1976, pp. 77–115.

There have been some minor modifications to the thesis text. I have added an index and approximately two pages of additional explanatory material. I have also removed some blunders, errors and infelicities.

R. G. Walker,  
Sydney.  
April 1977.