

# Stephen Gilman (1887–1959): An Accounting Scholar

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**ABSTRACT:** This memorial article traces the career and examines the major writings of Stephen Gilman, the longtime owner, senior manager, and director of instruction of the correspondence school, International Accountants Society, Inc. As very little is publicly known about Gilman and his career, extensive use was made of archival resources and of multiple library searches. Gilman is known chiefly for his scholarly 1939 treatise, *Accounting Concepts of Profit*, which will be treated at length, together with his two other major books and four of his articles.

**JEL Classifications:** M41.

**Keywords:** Stephen Gilman; correspondence schools; accounting terminology; accounting principles; profit versus income; conservatism.

## I. INTRODUCTION

Stephen Gilman was a rarity in the U.S. accounting literature. He spent his entire career as an educator in a correspondence school, not in a college or university, yet published a major book on accounting theory and practice, *Accounting Concepts of Profit* (Gilman 1939), which became a classic in the field. Unlike most writers of the period, he was not chiefly an advocate of accounting reform. He was instead a scholarly student of the literature, who sought to make accounting more coherent and principled, very much as Henry Rand Hatfield had been doing before him. For the past 30 years, Hatfield had engaged in continual scrutiny of the literature in his textbooks, his articles, and his many book reviews (Mills 1994, 297–299; Zeff 2000, Chapters 2–4).

The aim of this article is to review Gilman’s career as an educator and to study in some depth his three major books and a selection of his articles. In particular, there will be an attempt to judge the apparent impact of Gilman’s *Accounting Concepts of Profit* (Gilman 1939) on the U.S. accounting literature.

The article will be organized as follows. Sections II and III will sketch out Gilman’s early life and his career at the correspondence school of which he was the owner and leading educator. Section IV will treat at length his three major books, including the comments by reviewers: *Principles of Accounting* (Gilman 1916), *Analyzing Financial Statements* (Gilman 1925, 1934), and especially *Accounting Concepts of Profit* (Gilman 1939). Section V will discuss four of his journal articles, and Section VI contributes family recollections of Gilman, and Section VII consists of concluding remarks.

This article goes well beyond what has been written previously on Stephen Gilman. Two articles on Gilman appeared in 1990 in recognition of the 50th anniversary of the publication of his *Accounting Concepts of Profit* (Gilman 1939). One was the lone article on Gilman written by American accounting researchers (albeit published in an Australian journal), which was devoted to discussing his book (Bloom, Collins, and Debessay 1990). Yet it neglected to

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The author is grateful to the research staff at University Archives and Records Management, University of Wisconsin–Madison as well as at the Bentley Historical Library at the University of Michigan for archival assistance. He is also grateful to Royce Kurtz, research librarian of the AICPA Library at The University of Mississippi, Graeme Dean of the RJ Chambers Collection at The University of Sydney, Elise McCutchen and Nicolas Castellanos at Rice University’s Business Information Center, Norie Guthrie at Rice’s Woodson Research Center, Ellen Keith of the Chicago History Museum, and Becky Smith, the business and entrepreneurship librarian at the library of the University of Illinois Urbana-Champaign for similar assistance, as well as to Aaron Apel of the Office of the Registrar, University of Wisconsin–Madison. The author is also grateful for the comments received from Sudipta Basu, Kirstin Becker, Martin Persson, and Kris Ramesh on early drafts as well as from the two anonymous reviewers for this journal and from Nils Gilman (Stephen Gilman’s great-grandson). The author is solely responsible for what remains. The author has no financial conflicts of interest related to this research.

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Editor’s note: Accepted by Ann L. Watkins, under the Senior Editorship of William H. Black.

Submitted: February 2025  
Accepted: November 2025  
Early Access: January 2026

discuss Gilman's other two books or any of his articles, and it ignored the published reviews of his books. The article, with one exception, did not address instances in which Gilman's book was referenced in the U.S. accounting literature. A significant portion of the article was devoted to the published writings by later authors who had written in the same vein as Gilman but without any indication that they were even aware of Gilman's (1939) book. The article also said virtually nothing about Gilman's early years and his career and how the publication of his major book led to invitations from professional leaders in the American Institute of Accountants and the American Accounting Association to speak at annual meetings and to serve on important committees.

The other article, by an Australian, was confined to discussing the Australian textbooks that had been influenced by the "Gilman approach" (Gibson 1990). Bloom (1996) wrote an entry on Gilman in an accounting encyclopedia that drew heavily on Bloom et al. (1990). A four-page chapter on Gilman in a book edited by Gaffikin and Aitkin (1982) contained only a brief outline of a bit of Gilman's background,<sup>1</sup> a list of his published writings, and a reprinting of one of the published reviews of his book, without any discussion of Gilman by the book's coeditors.



Source: Gilman (1930). Reprinted with permission.

## II. GILMAN'S EARLY LIFE

Stephen Gilman was born on June 13, 1887 in Hyde Park Township,<sup>2</sup> IL and died on December 24, 1959 in Boston, MA. He was the son of Stephen Warren Gilman (1857–1930) and Frances Lydia Fraser Gilman (1857–1932).

In 1896, the Gilman family moved to Madison, WI, where the father became a lawyer and CPA and served as professor of business administration from 1908 to 1928 in the University of Wisconsin's (UW's) School of Commerce (now the Wisconsin School of Business). In 1906, the Gilman son enrolled in UW's general engineering course, and he proceeded to complement his major field of study by taking six electives in political economy and one in business administration.<sup>3</sup> Moonitz and Littleton (1965, 439) wrote that "[h]is interest in accounting began when he used his engineering background to help his father prepare a book on cost accounting." Their reference was to the elder Gilman's *Cost Accounts*, which was the second half of a book entitled *Auditing and Cost Accounts*, published in 1911 (Walton and Gilman 1911).<sup>4</sup> When he received a B.S. degree in engineering in June 1910, his budding interest in accounting, under his father's tutelage, explains the title of his senior thesis: "An Investigation of the Cost Accounting Systems of Four Manufacturing Plants."<sup>5</sup> As will be seen, he involved his father in much of his subsequent work.

<sup>1</sup> Much of this background was drawn from the biographical sketch of Gilman in Moonitz and Littleton (1965, 439). Stephen Gilman's son provided the particulars for the sketch in a letter to Maurice Moonitz, which the author has seen.

<sup>2</sup> Hyde Park Township was annexed to Chicago, IL in 1889.

<sup>3</sup> The titles of the six courses in political economy were Transportation and Communication, Elements of Economics, Financial History of the United States, Money and Banking, Labor, and Commerce. None of the instructors was Stephen W. Gilman. No records were preserved for the course listings in the business administration department; hence, the title of the course is not known. Information supplied by UW's Office of the Registrar.

<sup>4</sup> In this volume, Gilman's academic title was given as Professor of Business Administration, Accounting and Auditing.

<sup>5</sup> Revealed in the commencement program.

On June 21, 1913, Stephen Gilman married Martha Jennette Rogers, a 1911 graduate of UW, and they had one son, Stephen (1917–1986), who was a longtime professor of Romance languages at Harvard University. Martha died on November 20, 1941 at age 52. It is believed that Gilman's second wife, Myrtle Kuhlman, whom he married in 1942, died in 1957.<sup>6</sup>

Gilman became a CPA in Wisconsin in 1916 and in Ohio in 1919. Following graduation, he became assistant manager, and then manager, of the credit department at the Tennessee Coal, Iron and Railroad Company, in Birmingham, AL, an appointment arranged by a fraternity brother.<sup>7</sup> He was with the company for four years.

By 1915, he was on the faculty as director of the Department of Higher Accountancy at LaSalle Extension University, a correspondence school in Chicago, IL (*The Wisconsin Alumni Magazine* 1915). His first two books, in 1916 and 1917, were published by LaSalle, a major textbook publishing house. In 1918, Gilman and his good friend, John B. Tanner (1880–1935), joined with George P. Ellis (1888–1959) to form the firm of Tanner, Gilman & Ellis, CPAs. The firm was based in Chicago and announced that it did “Accounting, Auditing and Systematizing.”<sup>8</sup> The partnership dissolved in 1921.

In 1919, Gilman became a member of the fledgling American Association of University Instructors in Accounting, which in 1936 was renamed the American Accounting Association (AAA), and in 1922, he joined the American Institute of Accountants (Institute). In October 1919, he attended a conference of 37 accountants organized by J. Lee Nicholson in Buffalo, NY, which led to the founding in that year of the National Association of Cost Accountants (today the Institute of Management Accountants), and he became one of its charter members and was named to its research and education committee (Meyers and Koval 1994, 5, 9, 12).<sup>9</sup>

### III. GILMAN AT THE INTERNATIONAL ACCOUNTANTS SOCIETY, INC.

In 1917, Tanner and Gilman, after forming Tanner-Gilman Schools, Inc., took over the International Accountants' Society, Inc. (IAS), a home-study school based in Detroit, MI, and moved it to Chicago, retaining the school's name, but not the apostrophe.<sup>10</sup> The two men who founded IAS in 1903 had died, and the school was looking for new leadership (Springer 1936, 703). Gaffikin and Aitkin (1982, 77) wrote that Tanner and Gilman “developed it into a leading correspondence accounting school.” IAS was first shown as a division of Tanner-Gilman Schools and then, in 1920, became a free-standing entity.<sup>11</sup> The inaugural faculty, shown in 1919, included Gilman senior and junior and John Tanner.<sup>12</sup> Tanner became IAS's president,<sup>13</sup> and Gilman the son continued on its full-time faculty in 1920 and became chairman of the board and director (Perine and Bickwit 1920, 403). Shortly thereafter, his title became that of first vice president. Bloom et al. (1990, 107) confirmed that Gilman “owned and managed the International Accountants Society.”

In 1922, IAS claimed that it was “the oldest home-study school of accounting” and that “it has the largest Active Faculty of Certified Public Accountants connected with any educational institution in the United States.”<sup>14</sup> In addition to its home office in Chicago, IAS maintained a network of district offices in cities around the country both for recruiting new students and to maintain personal contact with existing students. To attract new students, IAS relied heavily on full-page advertisements that appeared regularly over the years in *The Journal of Accountancy* and *The Certified Public Accountant*, among others. IAS also advertised in newspapers across the country and was constantly promoting itself in the press.

From the outset of his involvement in IAS, Gilman played a major role in its management and in the development of the course of instruction. It was said in IAS's monthly magazine that “the I.A.S. Course in its present form was built up under the personal direction of Mr. Gilman. His was the formidable task of bringing together the work of the many collaborators and welding the separate units into a unified whole” (Anonymous 1922, 6). He was described in the monthly magazine as follows (Anonymous 1922, 6):

The clear thinking, the keen perception of the fundamental in a question, and the vivid exposition of the subject under discussion which characterize his writings, are just as apparent in his handling of the situations which arise in the daily routine of work. He has an open mind to suggestions from others and can quickly appraise the potential value of the idea presented to him. With a tact which few men possess he encourages and develops the initiative of those with whom he comes into contact, putting into practice the principles of managing men which are incorporated in his lectures and writings.

<sup>6</sup> Communications to the author from Isabel Gilman, dated October 7 and 13, 2025.

<sup>7</sup> Script written by Gilman's son on February 13, 1964, provided by Isabel Gilman.

<sup>8</sup> Information provided by Rice University's Woodson Research Center.

<sup>9</sup> For a memorial article on J. Lee Nicholson, see Hein (1959).

<sup>10</sup> See IAS's 50th anniversary advertisement in the January 1953 issue of *The Accounting Review*.

<sup>11</sup> See the full contents of the Elective Course at <https://catalog.hathitrust.org/Record/101676404>

<sup>12</sup> See the advertisement for the International Accountants' Society division of Tanner-Gilman Schools, Incorporated in the July 1919 issue of *The Journal of Accountancy*.

<sup>13</sup> See the obituary notice for Tanner (Anonymous 1935).

<sup>14</sup> As stated in a full-page advertisement, “Seven Points of Superiority,” in the June 1922 issue of IAS's monthly magazine, *The Accountants Forum*.

Gilman devised two of the program's electives, Credit and Credit Analysis and Applied Business Statistics. The latter elective consisted of "Ten loose-leaf lessons, numerous charts and diagrams dealing strictly with simple statistics, as applied to current business problems" (Anonymous 1922, 17). Among the professional bodies to which he belonged was the American Statistical Association.

From 1920 to 1923, Gilman was editor of IAS's monthly magazine, *The Accountants Forum*. His father was listed among the associate editors. In 1927, IAS became a division of Alexander Hamilton Institute,<sup>15</sup> a corporation in New York City that was engaged in business education, involving the transmission of business knowledge to executives and would-be executives. In 1938, IAS again became an independent organization, no longer a division of Alexander Hamilton Institute.<sup>16</sup>

In 1936, when William T. Sunley, IAS's longtime vice president and educational director, left to become president of the newly created American Academy of Accountancy,<sup>17</sup> Gilman inherited Sunley's title of vice president and educational director and became a member of IAS's executive educational committee, which was responsible for its educational policies and activities.<sup>18</sup> In 1946, Gilman relinquished the title of vice president. He remained connected with IAS for the rest of his career (Kahle 1993, 41).

IAS regularly published full-page advertisements in *The Accounting Review* beginning in 1939, usually listing its 16 full- and part-time faculty members, including Gilman. The last such advertisement with the faculty names appeared in the October 1953 issue, which may have foreshadowed Gilman's retirement from IAS's full-time faculty, then at age 66. His final published writing was an essay on charting in a 1956 handbook (Gilman 1956).

In 1971, following two short-lived takeovers in the 1960s,<sup>19</sup> IAS was taken over yet again by Chicago-based Bell & Howell Company and became part of its Education Group, known as Bell & Howell Schools.<sup>20</sup> By 1974, IAS had been folded entirely into Bell & Howell Schools and was not seen again.

#### IV. GILMAN'S THREE MAJOR BOOKS

Stephen Gilman published five books, as follows:

*Principles of Accounting* (Gilman 1916)<sup>21</sup>

*Graphic Charts for the Business Man* (Gilman 1917)<sup>22</sup>

*Analyzing Financial Statements* (Gilman 1925, revised edition in Gilman 1934)<sup>23</sup>

*Accounting Concepts of Profit* (Gilman 1939)<sup>24</sup>

*What the Figures Mean* (Gilman 1944b)

Of these, his three major books were *Principles of Accounting*, *Analyzing Financial Statements*, and *Accounting Concepts of Profit*.

He also published 20 articles in assorted journals and magazines (see Appendix A for a list of his published writings).

#### Principles of Accounting

Gilman's *Principles* book was published in 1916, in the middle of the first decade in which there was a widespread appearance of American accounting textbooks. He was then, at age 29, a member of the accounting faculty at LaSalle Extension University, the Chicago correspondence school. The aim of the book, he wrote, was "to present the basic principles of the science of accounting in a graphic and comprehensible manner" (Gilman 1916, iii), and he thanked his father and John Tanner for help in its writing. His use of graphics, which was unusual in the literature, was mostly in Chapter 1, where he displayed pairs of triangular scales to depict the balancing of assets and liabilities for a series of

<sup>15</sup> Announced in IAS's full-page advertisement on the inside front cover of the January 1927 issue of *The Certified Public Accountant*.

<sup>16</sup> This separation was announced in IAS's advertisement in the March 1939 issue of *The Accounting Review*.

<sup>17</sup> See the announcement in IAS's advertisement in the June 1936 issue of *The Accounting Review*.

<sup>18</sup> These appointments were first disclosed in IAS's display advertisement in the March 1939 issue of *The Accounting Review*.

<sup>19</sup> See the obituary for Byron Menides (1931–2017) at <https://www.mercadantefuneral.com/obituaries/4766858>. Menides became IAS president in 1962 (*Chicago Daily Tribune* 1962). Also see the Business Ticker in *Chicago Tribune* (1971).

<sup>20</sup> See the IAS/Bell & Howell Schools' advertisements in the April 1972 issue of *The Journal of Accountancy* and in the April 1973 issue of *Management Accounting*. See also Bell & Howell (1971, 14).

<sup>21</sup> Accessible online at [https://www.google.com/books/edition/Principles\\_of\\_Accounting/ZIVCAAAAIAAJ?hl=en&gbpv=1&pg=PR1&printsec=frontcover](https://www.google.com/books/edition/Principles_of_Accounting/ZIVCAAAAIAAJ?hl=en&gbpv=1&pg=PR1&printsec=frontcover)

<sup>22</sup> Accessible online at [https://egrove.olemiss.edu/cgi/viewcontent.cgi?article=1004&context=acct\\_corp](https://egrove.olemiss.edu/cgi/viewcontent.cgi?article=1004&context=acct_corp)

<sup>23</sup> The first edition is accessible online at [https://www.google.com/books/edition/Analyzing\\_Financial\\_Statements/uPxCAAAAIAAJ?hl=en&gbpv=1&pg=PP7&printsec=frontcover](https://www.google.com/books/edition/Analyzing_Financial_Statements/uPxCAAAAIAAJ?hl=en&gbpv=1&pg=PP7&printsec=frontcover). The revised edition is accessible online at <https://babel.hathitrust.org/cgi/pt?id=wu.89097489736&seq=5>

<sup>24</sup> In 1982, Garland Publishing, Inc. reissued *Accounting Concepts of Profit*.

transactions. To Gilman, the fundamental accounting equation was  $\text{Assets} = \text{Liabilities}$ , where Liabilities included the Proprietorship. He counseled that Proprietorship was not a true liability but was “a liability only in the bookkeeping sense” (Gilman 1916, 197). In 1916, there was not much relevant U.S. textbook literature on which to build, but Gilman managed to cite the authors of books by Sprague, Cole, Hatfield, and Esquerré.

Gilman’s treatment of goodwill as analogous to a bond premium is interesting: “goodwill should be charged off *not against current profits* but against the capital invested....The purchase of a business at a premium is very much like the purchase of a bond at a premium. The bond premium represents future interest; the business premium or goodwill represents future profits” (Colley 1916, 194–195, emphasis in the original). If the purchaser gets his money’s worth from the premium paid, it will be indicated by substantial profits, but only if these profits are not offset by an amortization expense. F. G. Colley, a partner in Touche, Niven & Co. who was a reviewer of the book, remarked on this novel recommendation, saying that it “may be considered as a purely technical suggestion, or worthy of consideration only in small enterprises” (Gilman 1916, 326).

Gilman assailed the use of “secret reserves.” He wrote, “There can be no question but that such understatement of assets or overstatement of liabilities has been sometimes made for the sole purpose of enabling the officers and directors to purchase stock of the corporation for less than its real value” (Gilman 1916, 343).<sup>25</sup>

Colley was taken aback by Gilman’s observation that “[t]here are almost as many ways of constructing a balance sheet as there are accountants” (Gilman 1916, 142), saying that “[t]he author was undoubtedly not serious” (Colley 1916, 326). This was an early sighting of the future author of *Accounting Concepts of Profit*, in which Gilman would treat at length the great diversity of accounting practice. Colley concluded (Colley 1916, 327), “On the whole, this work is a clear, direct and practical discussion of accounting, and the author has no doubt achieved his object in providing a basis of interesting study for those who have had some training or experience in general bookkeeping.”

Reviewer C. C. Huntington (Huntington 1917, 135–136), at The Ohio State University, took issue with Gilman’s personification of the business; he preferred instead to locate the proprietorship accounts as a distinct group apart from the asset and liability accounts and not as a liability in any sense. His overall assessment of the book was as follows (Huntington 1917, 136–137):

On the whole, it may be said that the book does not undertake to advance new theories but to present clearly the principles underlying the best accounting practice. The point of view is modern, the treatment comprehensive and usually adequate, and the style simple and clear. Effective use is made of charts, examples, problems, and summaries. The author points out that accounting is not an exact science, that it involves many disputed points, and, recognizing that accounting instruction should be as broad as possible, he usually gives various views and methods, explains their relative advantages and disadvantages, and states his preference after deliberate consideration of the important factors pro and con.

As will be seen, this was the Gilman of *Accounting Concepts of Profit*.

The *Principles* book achieved some measure of financial success, but it is not known whether the publisher invited Gilman to do a second edition. In 1922, it was stated (Anonymous 1922, 7) that the book “has been officially adopted by The University of Chicago, the University of Nebraska, Northwestern University, The Ohio State University, North Carolina College of Agriculture and Mechanic Arts [today North Carolina State University], Kenyon College, and others.”

### Analyzing Financial Statements

Gilman’s book on *Analyzing Financial Statements* appeared in two editions, in 1925 and 1934. In the preface to the first edition, he thanked his father and John Tanner “for their careful reading of the manuscript and many helpful criticisms and ideas” (Gilman 1925, iv).

The first edition was intended for the novice, and Gilman’s exposition was expressed in simple language, with many listings and numerical illustrations, and he made extensive use of charts. He occasionally cited the views of other authors. The revised edition was completely rewritten and was more than twice the length of the first edition (475 versus 222 pages). Because of “the increased complexity of modern business” (Gilman 1934, 2), “the dramatic change in the relation of government to business” (Gilman 1934, 2), and the change from the “feverish prosperity” of the latter 1920s to the “deep depression” of the 1930s (Gilman 1934, 10), his book had to be reimagined. The omnipresence of the income tax had itself become an issue. He wrote (Gilman 1934, 1), “Income tax legislation changed the accounting practices of a nation almost overnight.” For these and other reasons, the revised edition was written at a more elevated and sophisticated level than its predecessor, with many more charts than before.

<sup>25</sup> Gilman’s treatment of secret reserves was noticed by Orthaus, Pelger, and Kuhner (2023, 51, 73).

Robert Weidenhammer (Weidenhammer 1934, 347), at the University of Minnesota, in a review of the revised edition, referred to the first edition as a “pioneer work in ratio analysis.” Yet he claimed (Weidenhammer 1934, 347), “Oversimplification was the greatest defect of Gilman’s first book and this tendency found its expression in the limited number of ratios used, in places rather naïve interpretation of their meaning and in the general style of approach to the subject. This new edition has gone far to qualify some of the formerly oversimplified interpretations.” A. L. Prickett (Prickett 1926, 95, 96), at Indiana University, in a review of the first edition, said, “The scantiness of literature in this important phase of accounting instruction makes the present worthy contribution all the more welcome,” adding that the “principal contribution of the book lies in its discussion of the ‘trend’ [percentage] method of statement analysis,” which Gilman said was known by statisticians as the index number method (Gilman 1930, 216). By the “trend percentage method,” he meant comparing the percentage increases or decreases over time from a base year for specific accounts in the balance sheet or profit and loss statement rather than focusing only on the ratios. Hence, he would compare the percentage changes in Inventories, Current Liabilities, or Cost of Goods Sold from a base year with the dollar amounts reported for subsequent years, thus enabling the analyst to detect and compare meaningful trends.<sup>26</sup> Gilman (1925, 121) wrote that, although the trend method and the ratio method tell the same story, “the trend method tells the story quickly and by mere inspection, while the ratio method tells it in an involved way, which requires study to obtain the facts.” J. E. McDonough, a reviewer of the first edition, wrote (McDonough 1926, 690), “Much is to be said for the superiority of this method over the more conventional ratio method.”

Maurice E. Peloubet, a leading practitioner who reviewed the revised edition (Peloubet 1936), wrote that Gilman’s book “would probably be of more value to a student or to a credit man in a small bank or industrial company than it would be to a trained accountant or a credit man of fairly wide experience....If the credit man thought he could apply the methods laid down in this book to the analysis of a large and highly organized corporation, especially if any of its operations were in foreign countries, he might find himself in some difficulty.”

### Accounting Concepts of Profit

*Accounting Concepts of Profit* was Gilman’s *magnum opus*, the work for which he is best known. The three-year period, 1938–1940, during which it was published was crowded with the publication of four major works on accounting principles and practice as well as the launch of the first U.S. accounting standard setter. One could understand if Gilman’s book were to get lost in such heavy traffic. In 1938, the American Institute of Accountants published *A Statement of Accounting Principles*, by Sanders, Hatfield, and Moore and sponsored by the Haskins & Sells Foundation, which sought to provide guidance to the Securities and Exchange Commission (SEC) on what constituted best accounting practice. In 1939, the American Institute of Accountants’ Committee on Accounting Procedure, at the behest of the SEC, began issuing a series of bulletins to provide guidance on proper accounting practice. Also in 1939, two major treatises appeared. Kenneth MacNeal, hitherto an unknown author, produced the provocatively titled *Truth in Accounting*, which was a passionate argument for the use of market values in financial statements. Then, a little-known author, Stephen Gilman, produced *Accounting Concepts of Profit*, his comprehensive and scholarly review and analysis of the accounting literature. Finally, in 1940, Paton and Littleton issued their celebrated monograph, *An Introduction to Corporate Accounting Standards*, published by the American Accounting Association, in defense of the use of historical cost accounting in the body of financial statements. In addition to all of the above, during this three-year period the accounting profession was otherwise preoccupied as it anxiously awaited the outcome of the SEC’s investigation into the McKesson and Robbins auditing scandal.

Whereas Sanders, Hatfield, and Moore (1938); MacNeal (1939); and Paton and Littleton (1940) were works of advocacy, Gilman (1939) was a scholarly, comprehensive review of the literature. The vehemence with which MacNeal criticized accounting practice might well have grated on the sensibilities of many of his readers (Zeff 1982), whereas Gilman’s thoughtful and temperate prose in which he expressed his many criticisms would have been easier for most readers to accept.

### Major Themes Treated in the Book

Gilman’s book was 611 pages of thoughtful and well-documented discussion drawn from a comprehensive review of the immense literature on accounting principles and practice. He complemented the text with more than 600 footnotes, plus many internal citations, to some 160 authors from throughout the North American literature, with a few from Britain.<sup>27</sup> Among the advisors whom he thanked in his preface was William A. Paton “who furnished me such a

<sup>26</sup> In three articles, Gilman discussed his trend percentage method (Gilman 1926, 1928, 1930).

<sup>27</sup> A listing of all the authors and works cited in Gilman’s footnotes appears in *Accounting History* (Anonymous 1990).

wealth of critical and constructive suggestions” (Gilman 1939, v). Devine (1985b, 760) commended Gilman’s appeal to a broad readership:

Certainly Gilman was a first-class professional accountant with great ability to organize and explain the diverse problems of our profession. His correspondence-school background may be a partial explanation for his straightforward, unpretentious style of writing. His scholarly interests were simply unique in the accounting field and were generally superior to those demonstrated by teachers in our prestigious universities. In his own way he struck a telling blow for common folks everywhere against the arrogance and limited horizons so often displayed by high-level practitioners and, sadly, by many professors.

Gilman divided his book into 35 mostly bite-sized chapters, which made the going even easier for readers not accustomed to lengthy theoretical exposition. The book also has an excellent index.

Gilman stated that “[t]he justification for this book is to be found in the history of the past half-dozen years which have witnessed a shift in accounting emphasis from the balance sheet to the profit and loss viewpoint” (Gilman 1939, iii).<sup>28</sup> That is, there was a shift from public accountants catering mainly to bankers; in its place, they began catering to shareholders and investors (1939, 36–37). What factors brought about this important change? In this author’s view, there were three major external explanations. First, there was a massive increase in the number of shareholders in public markets during the prolonged bull market of the 1920s, when owning shares became a status symbol. Second, the task of the SEC, established in 1934, was “investor protection,” and the Commission and its accounting staff became actively concerned about the adequacy and quality of financial information being made available by public companies to the investor market, including their financial statements. And third, the rise in importance of the income tax law and the dividend provisions in state corporation laws placed an enhanced emphasis on income reporting by companies. Gilman pointed to an internal influence that helped explain the earlier focus by public accountants on bankers, namely, the popularity of the balance sheet audit from the 1910s to the middle 1930s (Gilman 1939, 31–37). Hendriksen (1965, 61) wrote of Gilman’s book, “This was the first comprehensive discussion of accounting theory since the shift in emphasis from the balance sheet to the income statement point of view.”

On pages 5 and 6, Gilman perceptively discussed Henry W. Sweeney’s (1936) proposal (Sweeney 1936) for “stabilized accounting,” involving the application of a general price index to separate real income from fictitious income. He wrote (Gilman 1939, 5),

His proposal has been given serious consideration by accounting thinkers. During severe inflationary periods his plan, or a variation of it, may be almost a necessity.

It is, however, rather unlikely that stabilized accounting will win much acceptance until an actual inflation sets in, since there is no powerful group behind it and no tax-saving advantage inherent in it.

He counseled that Sweeney’s plan was “in reality not a suggestion for improving accounting but rather a method of interpreting accounting statements and reports in terms of the individual investors” (Gilman 1939, 6). Gilman was critical of Sweeney’s call for the use of a general price index because “it assumes that all investors are alike, having the same purchasing habits” (Gilman 1939, 6).

Early in his book, Gilman (1939, 25) said that there were “three conventions which are so fundamental that they should be helpful in any attempt to present a plausible, satisfying explanation of the probable development of accounting.” They were the entity convention, the valuation convention, and the accounting period convention (Gilman 1939, 25–26), and he invoked them at various places later in his book. He pointed to the accounting period convention as the one “which is responsible for most of the difficult accounting problems. Without this convention, accounting would be a simple matter of recording completed and fully realized transactions: an art of primitive simplicity” (Gilman 1939, 26).<sup>29</sup>

One of the notable sections in his book, in Chapter 5, was his discussion at length of the entity and proprietary theories, representing a difference in viewpoint for accounting purposes. As with other issues on which there were discordant views, Gilman, with admirable impartiality, fully presented the arguments of both sides. In the entity theory, he wrote (Gilman 1939, 48) that the proprietor “regards himself as a person separate and apart from the business.” In the proprietary theory, the proprietor is seen as owning the assets and as owing the liabilities. He said that, for the entity theory, which he adopted, “valuation at cost is natural, but the accounting equation is not affected by valuations at

<sup>28</sup> The Study Group on Business Income, whose report (Study Group on Business Income 1952, 60) was drafted by George O. May, quoted with favor Gilman’s observation that this shift in emphasis had taken place “in the past half dozen years.”

<sup>29</sup> Chambers (1957, 210) cited Gilman’s classification of the period concept as a convention, and both Pattillo (1965, 80) and Rosenfield (2006, 35) quoted Gilman’s judgment that the period convention has been a challenge to accounting. Brown (1971, 49) quoted from Gilman’s discussion of this convention.

other than cost” (Gilman 1939, 55). To Gilman, the entity theory yielded the accounting equation of Assets = Liabilities, which, as noted above, he had displayed in his *Principles* book in 1916.<sup>30</sup>

Gilman discussed Paton’s expanded view of the entity theory, by which interest charges should not be displayed in the profit and loss statement as an expense but instead as a return to all capital suppliers (Gilman 1939, 92–95; Paton 1922, 264–272). After examining the arguments in favor of Paton’s recommended treatment, Gilman deftly avoided taking a stand by concluding that the treatment of interest cost appeared “to be more a matter of reporting practice than of accounting theory” (Gilman 1939, 95).

In Chapters 6 and 7, Gilman colorfully traced the evolution of business undertakings over centuries from the discrete venture, e.g., the completed voyage of a ship, where “there can be no uncertainty as to the amount of profit” (Gilman 1939, 68), to the continuous business enterprise, where it became necessary at the end of each accounting period to value the remaining inventories and capital assets. Profit determination was no longer, he said, a matter of “a complete cycle from cash to cash” (Gilman 1939, 67). Gilman then discussed “the various adjustments which are required in order to assign income and expenses to the proper periods” (Gilman 1939, 81), which today we call “accrual accounting.”<sup>31</sup>

Chapter 8 contains a thoughtful chapter on when realization occurs. Gilman advocated a strict test for realization, writing (Gilman 1939, 102, footnote omitted), “Adopting the theory that the true realization refers to money, immediate or deferred, then in any specific instance the test for realization is found in the question: Will the relinquishment of merchandise result in cash or in the creation of an asset which, in the normal course of events, will be converted into cash, i.e., does any further selling have to take place in order to obtain cash?” Suppose, he said, a car dealer sells an automobile for five shares of General Motors stock. “When and if the General Motors stock is sold, realized income may result but it should be noted that this income is from the sale of the stock and not from the sale of the automobile” (Gilman 1939, 103). So the receipt of the five shares of General Motors stock would fail the realization criterion.<sup>32</sup>

Gilman titled Chapter 9 “Matching Costs and Periodic Income.” This use of “matching” may surprise many of today’s readers, who associate this term with Paton and Littleton’s monograph, published the following year, 1940. Although Gilman stole Paton and Littleton’s thunder by employing “matching” a year before they did, they are the authors who popularized its use in articles and books for years to come (Zeff 2018, 50, 64). In his discussion, Gilman argued that conservatism (anticipate losses but not gains) “may often interfere with the accounting ideal of matching” (Gilman 1939, 130).

In Chapters 13–16, Gilman railed against accountants’ sloppiness in their use of terminology. He wrote (Gilman 1939, 169, footnote omitted):

With sublime disregard for lexicography, accountants speak of “principles,” “tenets,” “doctrines,” “rules,” and “conventions” as if they were synonymous. Generally, however, the word “principles” is most commonly used to characterize the common law of accounting.

It has not seemed any more important to accountants than to lawyers that their “common law” was unwritten and undescribed. Consisting as it does of a heterogeneous combination of legal, economic, and statistical concepts, the entire body of precedent has been taken for granted.

It is as though each accountant felt that while he himself had never taken the time nor the trouble to make an actual list of accounting principles, he was comfortably certain that someone else had done so.

With respect to the meaningfulness of the standard form of the auditor’s report, Gilman added (Gilman 1939, 171)<sup>33</sup>:

The accountants are in the unenviable position of having committed themselves in their certificates as to the existence of generally accepted accounting principles while between themselves they are quarreling as to whether there are any accounting principles and if there are how many of them should be recognized and accepted.

In the course of his lengthy terminological discussion, Gilman surveyed attempts at formulating principles and then enumerated at least eight difficulties standing in the way of making such a formulation or codification

<sup>30</sup> Goldberg (1965, Chap. 9) drew heavily on Gilman’s treatment of this difference in viewpoint between the entity and proprietary theories. Vatter (1947, 5, 20) closely examined Gilman’s discussion of the entity theory, and Mattessich (1964, 37, fn. 26) quoted from Gilman’s discussion of the two theories. Rosenfield (2006, 197) quoted from Gilman’s discussion of the entity theory. Lorig (1964) discussed Gilman’s treatment of the entity theory.

<sup>31</sup> Devine (1985a, III: 101, fn. 1) took note of Gilman’s discussion of the transition from “venture-based reporting to time-based reporting.”

<sup>32</sup> Davidson opined (Davidson 1966, 102) that Gilman’s realization test was “[p]robably the most stringent liquidity test” in the literature. He said (Davidson 1966, 103), “Marketable securities rank high in both liquidity and measurability, and their receipt is considered acceptable for realization by most groups.” Backer (1955, 241) also dissented from Gilman’s stringent realization test. Vatter (1947, 29–31) discussed Gilman’s realization test at length, and the test was noted in the *Accountants’ Handbook* (Paton 1943, 164) as well as by Windal (1961, 250); Staubus (1961, 57, fn. 1); and Hendriksen (1965, 139).

<sup>33</sup> Storey (1990, 1–8) said that Gilman “pointed out that the form of accountant’s report recommended by the special committee [in 1934] made accountants look foolish by requiring them to express opinions based on the existence of principles they actually could not specify.”

(Gilman 1939, 171–172), one of which was the formulator’s self-interest. He posed the following scenario: “There is some indication that the professional attitude toward codification of accounting principles is somewhat tinged by self-interest. This is not necessarily the practitioner’s own direct interest since, in some instances, he may champion a client who for one reason or another desires to adopt certain accounting procedures” (Gilman 1939, 176). This was a remarkably early recognition of the “economic consequences” of standard setting.<sup>34</sup>

Gilman then proceeded, as well as anyone has before or since, to make sense of the conflicting and confused usage in the literature of such terms as principles, rules, conventions, doctrines, and even postulates (Gilman 1939, Chapters 13, 14, and 16).<sup>35</sup> In Chapter 15, he propounded and discussed four doctrines of accounting: conservatism, consistency, disclosure, and materiality. In this chapter, he continued to press his opposition to conservatism, alleging that it “often conflicts with the convention of the ‘going concern’,” “may conflict with the doctrine of disclosure,” and “is opposed to consistency” (Gilman 1939, 235). He added (Gilman 1939, 235), “It is illogical to adopt a procedure which understates balance sheet values and at the same time cannot fail to overstate the earnings of some future period.”<sup>36</sup>

Indeed, in Gilman’s brief comment in the back of the report of the *Study Group on Business Income* (1952, 120), of which he was a member (see below), he said that the combined use of last-in, first-out (LIFO) inventory accounting and accelerated depreciation was not suitable as a method of “income determination in terms of current dollars.” Although, he added, they “may accomplish a desired effect on the income statement, they influence the balance sheet oppositely and, conceivably, below the limits of reasonable conservatism.”

In most of the second half of his book, Gilman discussed and assessed the soundness of accounting for inventories and fixed assets in considerable depth. In the preface, he wrote (Gilman 1939, iv):

Rather than attempt an encyclopedic treatment, it has seemed preferable to emphasize two common types of accounts which are particularly important in their relation to accounting profits. Accordingly, a substantial number of chapters have been devoted to net profit problems arising from inventories and fixed assets, these two categories representing vehicles for the discussion of profit determination and profit distortion, in the belief that the conclusions reached will be applicable generally to other categories.

Gilman treated readers to a lengthy discussion, pro and con, of the “cost or market rule” for inventory. He wrote (Gilman 1939, 429), “Despite its universal acceptance and despite the fact that it has even been dignified as a principle of accounting, there is a substantial body of opinion opposing the rule on the ground that it refers not to one but to two methods and hence violates the doctrine of consistency. The rule has been persistently arraigned as an important cause of profit and loss distortion, a defect which has been admitted by many of those who favor it.” He saw the “cost of market rule” as a relic from the times when the balance sheet was regarded as the dominant financial statement and thus was no longer relevant.

Gilman’s antipathy to recording replacement costs for inventories is evident from his closing paragraph in Chapter 24 (Gilman 1939, 404): “To say that replacement costs should not be taken into executive consideration would be foolish. To complicate the accounting structure, however, by the introduction of replacement cost valuations tends to make accounting reports so much a mixture of recorded fact and estimate as to handicap their interpretation.”

Gilman’s final chapter on “Significance of Accounting Profit” is a perceptive summing up of his thinking. He concluded (Gilman 1939, 610) with the observation, “Accounting does not require an apologist even though it often requires an interpreter,” which Devine (1955, 312) said was “Gilman’s famous statement.” Gilman added, “That accounting requires interpretation is clearly evident when one considers the various interests affected thereby” (Gilman 1939, 611). He went on to say (Gilman 1939, 611) that “a report which is ideally adapted for the creditor must fall short of an effective presentation to the investor, to the tax collector, or to management. Certain profit distortions of great significance to the investor may be of slight importance to the tax authority. Certain adjustments and revaluations of primary importance to the creditor may be no more than confusing annoyances to the business man.” As Gilman’s book appeared when the earlier dominance of creditor interest was being overtaken by investor interest, this clash of interests, and their effects on financial statements, were everywhere evident to a close student of the literature, such as Gilman.

### Reviews of the Book

Five reviewers of Gilman’s book were laudatory.<sup>37</sup> No less a critic than Carman G. Blough, a former SEC chief accountant and a partner in Arthur Andersen & Co., wrote (Blough 1940), “This book is decidedly worth reading to

<sup>34</sup> Bloom et al. (1990, 109–110) drew attention to Gilman’s “economic consequences” argument.

<sup>35</sup> Gilman’s views about accountants’ use of terminology have been noted by others. See, e.g., Chambers (1955, 1964); Vatter (1963, 182); Moonitz (1968, 624); Chatfield (1974, 288–289); Henderson and Peirson (1975, 7, 8); Most (1977, 50); Devine (1985a, I: 43); and Storey (1990, 1–7 to 1–8).

<sup>36</sup> Bryer (2024, 197–198) discussed Gilman’s critique of conservatism at some length. Gilman’s views on conservatism were quoted in the *Accountants’ Handbook* (Paton 1943, 161) and by Devine (1955, 315) and were cited in Orthaus et al. (2023, 51, 56, 74).

<sup>37</sup> Basu (2012, 853) called Gilman’s book a classic.

anyone interested in the current trends in accounting thought, and the author is to be highly congratulated upon the interesting way in which he has presented what might easily have been an extremely dry subject.” Carl Thomas Devine, a distinguished theorist himself, wrote (Devine 1940, 108), “Mr. Gilman’s present work is outstanding in its organization and coordination of recent and standard discussions of accounting and contains an excellent summary of the thinking in the field combined with well-supported conclusions on the issues and problems involved.” Forty-five years later, when he reviewed the reissue in 1982 of Gilman’s book, Devine (1985b, 760) tempered his overall praise for the book with the following concern:

From time to time, he lapsed into strictly semantic arguments and tossed around such loaded terms as distortion, true, consistent, arbitrary, and sound, as if they were arguments in themselves. Last-in, first-out “distorts” profits. Cost or market and the rule of conservatism are “inconsistent.” Allocations are largely “arbitrary.” Positions are “sound” if he agrees. Certain procedures yield “true” measures of depreciation and income.

Devine added (Devine 1985b, 760), “He apparently enjoyed setting forth all conceivable sides of an argument and often was satisfied to make his contribution by presenting a consensus. When decisions were rendered, he usually agreed with contemporary angels—notably Paton.” Yet Devine exclaimed at the end of the review (Devine 1985b, 761), “Quite a man, Gilman! Quite a scholar!”

Robert L. Dixon, Jr., at the University of Chicago, wrote (Dixon 1940, 208), “Regardless of the fact that the reader may find many minor points with which to disagree, and may even object to the entire thesis, Mr. Gilman should be highly commended for having written one of the most stimulating books in accounting literature. Every accountant should read it at least twice.”

Charles Reitell wrote (Reitell 1939, 199), “His book, in the reviewer’s opinion, will hold a high standing as one of the most scholarly and valuable books in our time; but only an accomplished student of accounting can extract the most out of it. It is not a book for novices.”

W. Arnold Hosmer, at Harvard Business School, wrote the following on Gilman’s lengthy discussion of accounting for inventories (Hosmer 1940, 388):

The treatment is excellent; it warrants careful study by anyone concerned with these problems, which are possibly the most important in the entire field of income measurement. The penetrating critical analysis clarifies many matters; but it seeks to solve inventory problems primarily by deductive reasoning from premises and generalizations based thereon, reenforced by citations from authorities.

Ronald S. Edwards (Edwards 1940), at the London School of Economics, ventured a modicum of praise in a mostly critical review. Although affirming that Gilman, in his discussion of profit, “gives us a full-dress debate on accounting theory and practice,” he faulted him for excessive repetition and for his failure to bring out the very real contributions that economists have made to accounting thought. Edwards was troubled by Gilman’s incessant quoting from the cacophony of discordant and irreconcilable views in the accounting literature without doing enough to point a way out of the predicament. In the end, he claimed that Gilman had not taken readers beyond the economist John B. Canning’s exasperated conclusion (Canning 1929, 98–99, which Gilman also quoted on page 610 in his book) after conducting his own review of the literature: “what is set out as a measure of net income can never be supposed to be a fact in any sense at all except that it is the figure that results when the accountant has finished applying the procedure which he adopts.”

### ***Consequences of the Book***

*Accounting Concepts of Profit* firmly established Stephen Gilman’s credentials as an accounting scholar and as a perceptive analyst and critic of the literature on the evolution of accounting principles and practice. This highly regarded book brought recognition to Gilman during the 1940s in several ways. It led to an invitation for him to present a paper at the American Institute of Accountants’ 1941 annual meeting, in the session on accounting terminology (Gilman 1941). A. C. Littleton invited Gilman to deliver a paper at the regional session in Chicago of the AAA’s 1943 Annual Meeting (American Accounting Association (AAA) Executive Committee 1944, 224).

Gilman was appointed, or elected, to membership on the following important committees in the profession. The Institute named him to one of the four academic seats on its 21-member Committee on Accounting Procedure, serving between 1941 and 1944. This committee was the first U.S. accounting standard setter. During the 1940s, the Institute appointed Gilman to three other committees and as chairman of a fourth. In 1943, he was named to the AAA’s select committee on monographs, chaired by William A. Paton. In 1944, the AAA’s membership elected him to the three-member editorial board, headed by A. C. Littleton, which oversaw the running of *The Accounting Review* for the next three years. In 1948, he was selected as one of only four accounting academics on the Study Group on Business

Income, sponsored jointly by the Institute and the Rockefeller Foundation and led by the redoubtable George O. May, whose widely noticed report, *Changing Concepts of Business Income*, was published in 1952 (Carey 1970, 69).

In July and August 1941, when the editor of The Commentator section of *The Journal of Accountancy* fell ill, John L. Carey, the journal's managing editor and powerful secretary of the Institute, invited Gilman to edit the section for the two monthly issues. As a further recognition, Gilman was tapped to be a consulting editor for the third edition of the *Accountants' Handbook*, published in 1943, by William Paton, its editor. Paton, who said he knew Gilman well for many years, has written as follows<sup>38</sup>:

Gilman was an interesting and *very able* man, and I thought highly of his writings. He was a clear thinker, in my opinion, and he and I were in agreement on fundamentals for the most part.

Gilman didn't have the reputation and standing in the profession or in academic circles he desired, largely as a result of his activity in the correspondence school field.

*Accounting Concepts of Profit* had a considerable impact on the textbook literature in Australia (Gibson 1990), but it had no such impact in the United States. Bloom wrote (Bloom 1996, 281), "The irony is that, while his book is highly regarded in universities in other countries such as Australia and Japan, where considerably greater emphasis is placed on accounting theory than in American schools, in the United States Gilman is virtually ignored in [university] accounting education, even at the doctoral level."

All but a few of the references to Gilman in the U.S. accounting literature, cited in previous footnotes above, were perfunctory. Further, Gilman (1939) was nowhere cited in the Financial Accounting Standards Board's discussion memorandum on the conceptual framework (Financial Accounting Standards Board 1976), nor in May (1943); Edwards and Bell (1961); Deinzer (1965); Thomas (1969, 1974); Sterling (1967, 1970); Watts and Zimmerman (1979); Johnson and Storey (1982); Flegm (1984); and Kam (1986).

## V. SELECTED ARTICLES BY GILMAN

Four of Gilman's articles merit discussion. As his entire career was in a correspondence school, two of his articles are of particular interest: "Is College the Only Way?" in 1937 and "Correspondence Courses in the Accounting Education Program" in 1946.

In his 1937 article, Gilman (1937) mounted an argument against a movement, begun in New York State, to require applicants for the CPA certificate to graduate from a four-year collegiate course of study. He patiently made the case that college graduates have neither the practical knowledge nor the temperament to serve effectively as junior accountants in audit firms and that many of those who aspire to become CPAs cannot afford a college education, costing thousands of dollars. On several grounds, he dismissed the aptness of the analogy that supporters of this movement made between the accounting profession and the legal and medical professions, where a college education was required for entry. Gilman built a strong case against siding with the movement.

In the second article, published nine years later, Gilman was able to say (Gilman 1946, 401) that "most of the CPA laws have permitted the candidate to obtain his technical knowledge by any method he desired. He could use the universities, business colleges, night schools, correspondence schools, his local public library, or any combination thereof." He added (Gilman 1946, 401) that it has been reported that more than 30 percent of all CPAs had received some or all of their training by correspondence. Yet pressures were building that might diminish the role of correspondence schools. Following the war, some states were relaxing education and experience requirements and even waiving the CPA examination to accommodate the millions of veterans returning home, thus cheapening the CPA certificate. Also, the Servicemen's Readjustment Act of 1944, known as the GI Bill, significantly reduced the cost of university education for returning veterans. Gilman's mission in this article was to explain and defend the standards used in correspondence schools.

Gilman's (1941) article "Accounting Meaning of Income," which was based on his speech at the Institute's annual meeting, set forth his considered view that "profit" was to be preferred to "income" in accounting because the latter had already been burdened by usages in law, economics, and taxation. He added that profit "is a word which has an opposite, namely 'loss,' an advantage which...does not apply to the word 'income'" (Gilman 1941, 121). This explains why his famous book was not entitled *Accounting Concepts of Income*.

Gilman's 1944 article (Gilman 1944a), "Accounting Principles and the Current Classification," in which he recommended that the current classification in the balance sheet be abandoned, was published during his final year on the Institute's Committee on Accounting Procedure. The Institute's *Committee on Terminology* (1944, 89), chaired by

<sup>38</sup> Letter from Paton to the author, dated May 27, 1982, emphasis in the original.

George O. May, took note of Gilman's article and of a recent article by another member of the Committee on Accounting Procedure and said, "It seems desirable that the committee on accounting procedure consider whether or not there should be either some modification of present practice or a fundamental change in classification."<sup>39</sup> Gilman observed (Gilman 1944a, 110) that current was not an accounting classification but was instead "a classification for credit granting, which was popularized to meet the needs of credit men many years ago." He argued that the classification of current assets "is bad classification from almost any viewpoint. The total of current assets is not homogeneous, for it is built up of unlike elements and unlike values" (Gilman 1944a, 111). A better classification of assets, he argued, was threefold: cash, deferred charges to cash (trade receivables), and deferred charges to revenue (inventories and fixed assets) (Gilman 1944a, 113–114). He concluded that the current classification should be eliminated from the balance sheet and replaced with a schedule of current assets and current liabilities accompanying, and reconciled with, the balance sheet (Gilman 1944a, 116).

Two of these four articles exhibited Gilman's concern for the use of meaningful terminology. In this respect, he echoed similar concerns over the need for clear terminology by Henry Rand Hatfield, who, as was pointed out in the introduction, Gilman resembled as a careful and thoughtful student of the accounting literature. Hatfield (1927, 271) regarded the lack of a clearly defined terminology as "the chief defect of accounting."

## VI. FAMILY RECOLLECTIONS OF STEPHEN GILMAN

Granddaughter Isabel Gilman contributes the following recollection of Stephen Gilman:

I remember him as kind, thoughtful, and somewhat silent. I knew he was an accomplished accountant, teacher and writer. The family lore was that he was one of the few who had actually made a great deal of money during the Depression by promoting an affordable correspondence school that taught struggling business owners how to manage their books. I remember being told that he advertised it on the Chicago public transit system with posts where you could tear off a stub with an address.

We are also surrounded by his art. You may not know that he was an accomplished painter. As a young man he attended the Cape Cod School of Art, a summer school for outdoor figure painting, established in 1898. He later became a disciple of John Singer Sargent, following his footsteps to Spain. In 1933 he moved his family to Marbella in southern Spain when my father was 16. I was told he sold his interest in the IAS so he could paint full time. This was shortly after finishing his revisions of *Analyzing Financial Statements*. They stayed in Spain a little over a year. Apparently he decided painting was a hobby for him after all, and not a profession. He returned to Chicago, reinstated himself with the IAS and continued on.<sup>40</sup>

Stephen Gilman's son wrote the following about his father: "In his prime he was an outstandingly intense and intelligent man admired but not always liked (he was anything but a gladhander)."<sup>41</sup>

## VII. CONCLUDING REMARKS

Stephen Gilman, a university graduate in engineering, pivoted his career from engineering to accounting, with encouragement from his father. He became an owner, a principal manager, and a director of instruction for a correspondence school, International Accountants Society, Inc. He published his first book, *Principles of Accounting*, in 1916, at age 29, and when studying the accounting literature in his run-up to writing the book, he became perturbed by accountants' loose and conflicting use of terminology and their inattention to the theory and principles underlying their practice. The literature, he thought, was in a dreadful state, and he resolved to do what he could to bring this discordance to the surface and to point the way toward enhancing its logical consistency. This effort culminated in the publication in 1939 of his treatise, *Accounting Concepts of Profit*, which brought him to the fore as an accounting scholar of the first water.

Gilman's book, which some have called an accounting classic, comprehensively reviewed and commented upon the U.S. accounting literature of the previous three decades, at a time when the literature was taking a foundational turn from its primary focus on the balance sheet to placing emphasis instead on the profit and loss statement. In this sense, Gilman's book constituted a kind of summing up of this earlier stage of the literature, which makes it all the more valuable as a work of historical importance. Indeed, as noted above, Gilman himself said in the preface to his book (Gilman 1939, iii) that this historic turn in the literature was the "justification for this book."

<sup>39</sup> In 1947, the Committee on Accounting Procedure issued Accounting Research Bulletin No. 30, in which it retained the current classification for both assets and liabilities in the balance sheet (Committee on Accounting Procedure 1947).

<sup>40</sup> Communication to the author from Isabel Gilman, dated October 3, 2025.

<sup>41</sup> Script written by Gilman's son on February 13, 1964, provided by Isabel Gilman.

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## APPENDIX A

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Sources: [Gaffikin and Aitkin \(1982, 77–78\)](#), *The Accountants' Index*, and a Google search.

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