

A COMPARATIVE STUDY OF THE DEVELOPMENT OF ACCOUNTING THOUGHT AROUND THE STABILITY OF THE MONETARY UNIT AT THE MICRO AND MACRO LEVELS

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At the micro level the factors underlying the development of accounting thought around the assumption of a stable monetary unit are analyzed in terms of three environmental situations : (i) conditions of hyper-inflation. (ii) the implications of fast technological changes in industry, and (iii) the cumulative effects of a gradual decline in the purchasing power of money.

At the macro level the effects of price-level changes upon the measurement of the main aggregates at current prices are outlined and the attempts to eliminate such effects are stated in the order of the development of thought in that field. The difficulties encountered in achieving this purpose together with proposed solutions are explained. The accuracy of results is examined and evaluated.

Research provides adequate evidence of full awareness of the effects of changes in the purchasing power of money at the micro level. The recent trend towards the preparation of general price-level statements is one of the most significant developments of accounting thought in this area. It marks the end of an era of academic argument with its experimental study and the beginning of an era of practical application with its attending requirements of relevant concepts and standards. Meanwhile, it brings the standards of measurement at the micro level closer to their counterpart at the macro level, and, thus, opens up a promising field for academic and applied research in both areas.

The use of index numbers for accounting measurement and reporting is a relatively recent development which should be guided by carefully developed concepts and generally accepted standards. This places an obligation on the part of the profession for extensive research parallel in coverage and depth to that carried out by other disciplines which preceded accounting in this respect. Such research should be partially oriented to avoid undue variations in practice and to insure consistency of application. An insight in the nature, methods of calculation, limitations, and other characteristics of the various types of index numbers is a prerequisite for the sound selection or construction of appropriate indexes and the solution of problems arising in actual practice.

Research shows that the assumption of a stable monetary unit creates a dilemma. Adherence to this assumption leads to accounting results in conflict with two economic developments : (i) continuous fluctuations in the purchasing power of money with the implications consequent upon the instability of the unit of measurement, and (ii) a high rate of technological changes with the consequent obsolescence of industrial machinery and equipment. On the other hand, this assumption cannot be excluded from the group of postulates underlying the measurement and reporting of financial results. None of these postulates can be eliminated or ignored without affecting the entire construction of the basic accounting theory.