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THE SOVIET ACCOUNTING BULLETIN, 1973-1983

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In Memoriam Derek Bailey, 1929 – 2002

ABSTRACT

The Soviet Accounting Bulletin was published from 1973 to 1983. It provided rare and fascinating direct insight into the role, function and position of the bookkeeper/accountant in the Soviet system, both in theory, e.g. through Lenin's writing, and in practice, e.g. through extensive quotations in the words of the bookkeepers themselves. It was largely written by Derek Bailey, who had not only the contacts and language ability to obtain and translate material, but also the knowledge to write critical and informative commentaries thereon. This paper gives extensive extracts, preserving both the wording and the ethos of the original material as much as possible. The unifying theme is the life and role of the Soviet bookkeeper in all its aspects. Such an existence embraced real tensions, which we highlight, juxtapose and discuss.

Soviet; Accounting; Bookkeeper; Uchet

JEL codes: M40, M49

INTRODUCTION

The Soviet Accounting Bulletin was published at a rate of four 'numbers' per year for eleven 'volumes', from 1973 to 1983, jointly by the Department of Accounting and the Centre for Russian and East European Studies, at the University of Birmingham, England. It was the brainchild of, and largely the work of, Derek Bailey, who provided translation of, and commentary on, original material from Soviet publications, notably the journal Bukhgalterskii Uchet. It was reproduced using stencils, typed, rather badly, by Derek himself. As far as is known, there is only one complete set now in existence, in poor condition, in this author's last remaining filing cabinet in the cellar of Birmingham Business School. This paper is an attempt at archival preservation and dissemination.

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Interest in, and informed knowledge of, the accounting function behind the "Iron Curtain" were in short supply for many decades. Derek, whilst apparently not unsympathetic to the ethos of the Soviet environment, was a true academic – independent, critical, historically-based and interested in the esoteric as well as the mainstream. Inevitably, over forty four editions plus a couple of independent essays from 1973, the material ranges widely and sometimes unpredictably. Coverage became broader towards the end, the title changing in 1981 to "Soviet and East European accounting Bulletin". Odd articles on, for example, accounting in Syria, and on accounting in USA as seen through Soviet eyes, come and go.

This paper sets out to investigate, largely as seen through Derek's eyes, the concept and role of accounting in general, and the "state book-keeper" in particular, under the Soviet system. The major content of the Bulletin consists of editorial, unsigned but clearly by Derek Bailey, and translations of original material, often with a separate commentary, again clearly written by Derek. This paper, as a matter of deliberate policy, seeks to minimize the extent to which the present authors interpose themselves between the 1970s original and the 21st century reader. Source material in translation, Derek Bailey material, and 21st century comments, are all firmly distinguished from each other. The objective is to communicate an understanding of the environment and attitudes prevalent in that place at that time, as far as we are able. Internal debates on the role and (un)importance of the book-keeping function abound, and provide fascinating study. There is at least implicit evidence of a change in the balance of opinion over these eleven years of what this role should be.

A major thrust of this paper is to present the original Soviet-sourced material, and Derek's contemporaneous appraisal thereof, as being of importance in their own right, though concluding with discussion of the implications of this important historical material for current and up-coming international accounting developments. Although the material is not strictly primary data, it is probably the nearest thing to primary data that we are now likely to get in relation to some of the aspects covered. Some of the "scenes from life" we quote are remarkably open in their comment and criticism, for example. We seek here to let the Bulletin, as conceived between 1973 and 1983, speak for itself.

1. WHAT IS SOVIET ACCOUNTING?

The above is the title of the main editorial essay of Vol.1. No.1 (1973). This is reproduced here in its entirety.

In the critical period immediately prior to the October [1917] Revolution Lenin gave some considerable thought to the place of accounting in the new society. Thus he wrote:

"Accounting and control – that is the main thing required for the 'setting up' and correct functioning of the first phase of Communist Society ... The accounting and control

necessary for this have been simplified by capitalism to an extreme and reduced ... to the extraordinary simple operations – which any literate person can perform – of checking and recording, knowledge of the four rules of arithmetic and issuing receipts." [1]

However, Lenin considered this to be but a necessary step towards further progress in social evolution.

"For when all have learned to administer and actually do administer social production ... the escape from this national accounting and control will inevitably become so incredibly difficult ... that very soon the necessity of observing the simple, fundamental rules of human intercourse will soon become a habit." [2]

In a footnote he added that *"When most of the functions of the state are reduced to this accounting and control by the workers themselves, it will cease to be a 'political state' and the public functions will lose their political character and be transformed into simple administrative functions."* [3]

And, Lenin concluded, "*the door will be wide open for the transition from the first phase of Communist Society to its higher phase and with it to the complete withering away of the state."* [4]

Thus, in the political thought of Lenin, accounting was seen to have a crucial role to play in the transition from the lower phase to the higher phase of Communist society, from the administration of persons to the administration of things.

But, has the use of accounting in the U.S.S.R. had the effect anticipated by Lenin or has it acted as a brake on the evolution of Communist society? Has Soviet accounting contributed to the 'winning of the battle for democracy' or has it served to reinforce bureaucratic tendencies?

It was not until the 16th Party Congress in 1930 that a decision was taken to create a unified system of national economic accounting within the framework of the nascent Soviet society. But, in the context of the inner party struggle of that period, the decision may be seen, in some measure as part of the campaign by the Stalinist faction to secure an all-pervasive domination of Soviet society.

At a cursory glance the development of Soviet accounting during the period 1930-45 appears to have been relatively slow and the period of substantial development appears to have been the post-war years.

The role of the chief bookkeeper was regulated by statute in 1947 and four years later a statute concerning the contents and presentation of accounting reports and balance sheets. In 1964 there was a statute dealing with the book-keeping function in the primary economic units (i.e. enterprises, organisations and establishments).

By the late nineteen sixties, under the guidance of the Ministry of Finance and the Central Statistical Administration there had been established a standardized system of accounting in the main branches of the economy and at the present it is being extended to the other branches of the economy. In the U.S.S.R. unlike in the capitalist countries, bookkeeping for individual business enterprises is an integral part of national economic accounting in that by aggregating the final accounting figures for separate enterprises it is possible to construct the national economic accounts for various sectors of the economy, for various republics and for the entire union.

The general nature of Soviet accounting has been described by N.V. Dembinskii in the following manner:

"In the conditions of our social order all aspects of national economic accounting are organized in the interests of the national economy as a whole, in the interests of the creation of a scientifically validated system of control statistics that provide for

comprehensive accounting and control of the processes of extended socialist reproduction." [5]

In the U.S.S.R. the stimulus provided by the pursuit of private profit by entrepreneurs has been removed. And, as has been remarked in a different context:

"Whenever by any means the best of productive efficiency imposed by competition in a free market is removed, a comparison of costs of different concerns becomes the only guide to an economic price, and such a comparison is impossible without standardized accounts." [6]

The concept of a standardized accounting system originated in the nineteen-twenties with Professor Schmalenbach and his school, centred on Cologne University. Indeed, Germany appears to have been the first country to actually implement a standardized accounting system. This was during the years 1937-45. Germany was the prototype of the managed capitalist economy and a standardized accounting system was considered to be indispensable to the management of the economy.

However, apart from France, such systems were not developed by the capitalist countries in the post 1945 years. In Britain, although proposals for schemes of uniform accounting in various industries were not only widely canvassed, but also developed and installed in some industries during the nineteen-thirties, such systems fell out of favour during the post-war decade. In the pre-war years such initiatives gained support because they were seen as a curb to 'unfair competition'. In the post-war years there may have been a fear on the part of businessmen that uniform accounting systems could be turned into an instrument for the state control of business undertakings. Nevertheless, common accounting procedures were introduced separately into each of the nationalized industries created during 1945-50 by the absorption into public ownership of numerous undertakings. And, the multi-national companies have tended to extend common accounting procedures into all their acquisitions.

It would be interesting to know the extent to which there are similarities, and dissimilarities, and the reasons thereof, between the accounting systems of, say, the [British] National Coal Board and the Ministry for the Coal Industry in the U.S.S.R. It would be interesting to compare, and contrast, the accounting systems for, say, the Ford Motor Company and the U.S.S.R. Ministry for the Automobile Industry. One may reasonably presume that such studies, provided they would be undertaken, would reveal significant insights into the practical importance of accounting systems for the management of complex organizations in advanced industrial societies.

In the U.S.S.R., as in Germany, the assumption of a close connection between economics and business accounting has been a commonplace of intellectual thought. Indeed, it has been the re-awakening of economic studies in the U.S.S.R. that has led to a renewed interest in accounting. In both countries accounting appears to be well established as a university discipline. In England, on the contrary, accounting has been traditionally divorced from economics and, until a decade ago, was barely tolerated as a subject deemed worthy of study by university scholars. To some extent this attitude may be attributed to a perverse dichotomy between abstract intellectual theorizing and practical application in the mundane business of making a daily living. The business of account keeping was more suited to the sweaty palms of corn-chandlers and iron-founders. Fortunately it is a dichotomy that has not been applied to other areas of human endeavour, such as medicine.

A major reason for the separation of accounting from economics may be attributed to a difference in the historical development of accounting. In England accounting arose to prominence as an evolution out of, and away from, the legal profession. The pre-eminent

role of the accountant was as a professional adviser, akin to the solicitor, and dealing with those aspects of the law that had financial implications for persons and corporate bodies with more or less substantial monetary interests – inheritance, taxation, the formation, re-organization and winding-up of companies, bankruptcy, statutory audit. This role was continually re-implied by the increasing complexity, and the frequency of change, of the legislation dealing with these areas. Consequently, the concepts applied to accounting were legalistic and not economic. This approach reached its nadir in the early nineteen fifties when the Institute of Chartered Accountants in England and Wales promulgated a "recommendation on accounting principles" that attempted to affirm that price-level changes should be ignored when making provision for the replacement of fixed assets.

Pollard, following a careful study, drew the conclusion that "entrepreneurship in the industrial revolution did not develop to any significant extent the use of accounts in guiding management decisions."[7] It was not until the munitions crisis of 1915 that there arose in Britain a serious concern with accounting for business operations.

But, in the period before the First World War the larger size of the leading German industrial concerns, and a consequent need for techniques of co-ordination and control, and the more competitive conditions in which German firms operated, had resulted in more importance being placed upon the accounting function. Already in the period before the October [1917] Revolution Lenin had held up the managerial techniques of the German combine as a model to be copied. But, it is unclear how much he knew of their accounting practices as, indeed, it is of Taylorism, of which he was later to be an equally vigorous, and seemingly improbable advocate.

In the Soviet enterprise economic accounting comprises bookkeeping, operating accounts and statistical calculation. In all but the smallest enterprises there is a system of integrated accounts maintained according to the principles of double entry bookkeeping. Accounts are opened in accordance with the national accounts plan which specifies the permitted 'synthetical accounts'. These are comparable to control accounts, the data held in the aggregate in the synthetical accounts being revealed in detail in the complementary 'analytical accounts'. For example, the composition of the balance shown in the obligatory synthetical account 'Raw and Processed Materials' is revealed in detail in a set of analytical accounts, one such account being opened for each material held in stock. Depending upon the nature and size of the enterprise the bookkeeping accounts may be supplemented by operating accounts reflecting different aspects of the manufacturing process. However, these accounts are not necessarily maintained by the bookkeeper but, instead, may be maintained by other administrative workers of the enterprise.

The costs incurred in the course of production are accumulated according to the principles of absorption costing whereby the total costs are in one way or another related to individual product lines. Incremental cost analysis appears to be alien to the understanding of Soviet bookkeepers to such an extent that, seemingly, they are not persuaded of the need to distinguish between fixed and variable costs when using linear programming. In the Soviet enterprise costs are written up according to the principles of historical accounting or normative accounting. Soviet normative accounting bears some similarity to standard costing except that in the Anglo-American tradition variance analysis, which is not practiced in the U.S.S.R., is considered to be an integral part of the practice of standard costing.

The functions of budgeting, or planning, and of cost reduction are, at least in the larger Soviet enterprises, considered to be part of the responsibilities of the chief economist. In the United States, Western Germany and Britain these tasks are considered to fall

generally within the ambit of accounting. The prime role of the Soviet bookkeeper is the on-going monitoring of performance. It is, perhaps, best able to understand his, or her, role if it is likened to that of a government technical cost officer who, instead of merely checking over the accounts compiled by someone else, either at infrequent intervals or following the completion of deliveries against the contract (as has been the practice in Britain with equipment contracts placed by a governmental agency), has taken over the account keeping function and actually writes up the accounts simultaneously with the execution of the enterprises' obligations under the State Plan and periodically reports thereon to his supervisor. It is reasonable to suppose that the Soviet practice avoids the grosser kinds of abuse through private gain at the expense of the nation that may arise in Britain, an example of which was revealed by the reports of the enquiry into the Bloodhound Contract. On the other hand, it may well have a deleterious effect on the motivation of the workers in the enterprise. These aspects of Soviet accounting practice merit investigation.

A standard English text-book describes the function of the bookkeeper *as "to keep the books and make the accounting records."* The function of the accountant it describes as *"designing and maintaining accounting systems adequate to the needs of the business," "to appraise the significance of the information disclosed thereby" "not only in appraising past results, but in formulating future policy".*[8] If this distinction between the roles of the bookkeeper and accountant is accepted as being valid then it may be reasonably inferred that the role of the accountant does not exist in the Soviet enterprise. Indeed, it is difficult to appreciate how the chief bookkeeper of a Soviet enterprise could be simultaneously a 'state-controller', accountable for the safeguarding of the national resources entrusted to the enterprise and an advisor to the general manager or director, on policy choices since, given the presence of uncertainty, those resources are put at risk. This inference is not as surprising as it may seem at first sight. It may be reasonably argued that the Soviet enterprise corresponds more closely to the divisionalised segment of a Western firm, rather than to the firm itself. It is the Soviet industry ministry, rather than the individual enterprise, that may be compared with the Western firm. The Soviet ministry managing an industry may be likened to a Western firm with a number of production units.

Tentatively, it is suggested that this conception is likely to be more fruitful in comprehending the role and significance of Soviet accounting. Thus, it may be hypothesized that at the level of the firm the function of accounting is likely to be primarily one of data processing, whereas an advisory function in relation to the use of accounting information is more likely to be associated with the higher levels of the ministry. Following this line of reasoning, it may not be unreasonable to suggest that the gradual transfer of certain Soviet enterprises to khozraschyot was an attempt to apply the Western concept of a profit centre, evolved during the past two decades within the context of a decentralized firm, to the different circumstances of a Soviet enterprise. It was an attempt to move from a mere accounting of, to an accountability for, the success or failure of the enterprise in fulfilling its obligations under the State Plan. It would be interesting to compare the experience of a Soviet enterprise operated on khozraschyot principles with that of a comparable segment of a Western firm operated as a profit centre.

Soviet writers on accounting stress the alleged superiority of 'socialist accounting' over 'capitalist accounting' on the general ground that whereas in the U.S.S.R. accounting is subordinated to the general interest of the entire union, and has become an important means for the organisation and management of the national economy and a means for the control of the fulfillment of the State Plan, in the capitalist countries accounting is the

private business of individual capitalists and monopolists. It would be interesting to know to what extent there has evolved a 'socialist accounting' distinct from 'capitalist accounting'. That is, an accounting that takes into consideration external costs and benefits, social welfare criteria, ecological costs, and the depletion of irreplaceable natural resources. Or, is Soviet accounting merely the old accounting 'writ large'? An extension of bureaucratization, a stifling of independent initiative within the firm? In the U.S.S.R. in recent years a great detail of attention has been given to the simplification and standardization of the paperwork flowing through the hands of the bookkeeper of the enterprise. This work may be seen as an essential prerequisite to the development of 'automated systems of management' at the level of the enterprise. It is intended to develop such systems and to link them together in order to build up an all-union network of management information systems.

According to the directives of the 1971-75 Five Year Plan the purpose is:

"With a view to improving the planning of the national economy and management to ensure the widespread application of mathematical economic methods, the utilization of electronic processing, organizational techniques, and communications techniques. In every possible way to improve the system of accounting and reporting and to improve statistical services".

Whatever the degree of success achieved in the realization of these aims there is likely to be a significant impact on the practice of Soviet accounting especially at the level of the enterprise.

References

1. V.I. Lenin, The State and Revolution, in Questions of the Socialist Organisation of the Economy – Articles and Speeches (Progress Publishers, Moscow, undated) p. 71
2. V.I. Lenin, op.cit. p. 72
3. V.I. Lenin, op.cit. p. 71
4. V.I. Lenin, op.cit. p. 72
5. N.V. Dembinskii, Teoriya Sovetskogo Bukhgalterskogo Ucheta (Minsk, 1957) p. 26.
6. H.W. Singer, Standardised Accounting in Germany, N.I.E.S.R. Occasional Paper No. 5 (University Press, Cambridge, 1943) p. 7.
7. S. Pollard, The Genesis of Modern Management (Arnold, London, 1965) p. 248.
8. W.W. Bigg, H.A.R.J. Wilson and A.E. Langton, Bookkeeping and Accounts (H.F.L., London 1959) p. 1.

There are many nuances inherent in the above which repay careful thought by the modern reader. We return to some of its key questions at the end of our paper. But a number of points cry out for further development. The suggestion that the eventual (perhaps Utopian) "higher phase" of Communist Society will embrace "the complete withering away of the state" is unfortunately too far away from the accounting function to allow a lengthy discussion here.

The reference to accounting and control at the beginning of the opening quote from Lenin in the above is expanded in an important way in an essay Derek published at the same time (March 1973) as a University of Birmingham Discussion Paper (described as both Series B, Number 29 and Series RC/B Number 5). This provides a good example of the importance, but also the difficulty, of communicating an

understanding of concepts and constructs created in one culture with their associated words, using the language and constructs of a different enterprise. Precise achievement of this task is philosophically impossible, for reasons not pursued here.

On the Meaning of Uchet

The Russian word nearest in meaning to "accounting" appears to be *schetovadstvo* and, indeed, it appears to have been the term commonly employed from the latter part of the nineteenth century until the 1930-32 debates on the nature of Soviet accounting.[11]

Lenin, when deliberating upon the role of accounting in socialist society used instead of *schetovodstvo*, the more general term *uchet*. This term does not readily translate into English. One Soviet source[12] describes uchet as "the establishment of the presence of a thing, the measurement and registration of its quantitative and qualitative aspects" and adds that it "provides continuous information about all spheres of economic activities and social life".

Kontrol', the companion term favoured by Lenin, the same source[13] described as "verification for the purpose of ensuring the correctness and legality of specific activities".

Lenin's pithy recipe for the management of socialist society *uchet i kontrol*'[14] may be rendered as "the measurement, recording and verification of economic activities", but the emphasis is on notational, rather than written, records as is indicated by the very word uchet.[15]

Soviet writers on accounting[16] consider book-keeping to be a particular form of *uchet*; that is, *bukhgalterskii uchet*. In all three sub-sets of *uchet* are recognised. The remaining two are *operativnii uchet* and *statisticheskii uchet*. The first is important as a means of exercising control by rouble and, consequently, for a strict accounting of the financial obligations of the enterprise. *Statisticheskii uchet* is considered to be the premier form of uchet and is utilized for purposes of both setting and checking on the fulfillment of plans.[17] *Operativni uchet* is primarily internal to the enterprise in that it is not used for purpose of external supervisory control of that enterprise's activities. It is the least well-developed of the three forms of *uchet*, although a consequence of the Economic Reform of 1965 has been a felt need to promote its development.[18]

Together these three forms of uchet make up *narodnokhozyaistvennyi uchet* or national economic accounting, which "presents a quantitative reflection, and the particular features of economic activity for the purposes of control and guidance".[19] Elsewhere the overall aim has been described as "to take into consideration, and to control, the fulfulment of the plan, to disclose and analyse the reasons for hindering or promoting its fulfillment, to uncover untapped reserves in respect of an under-fulfilled plan and to promote in every possible way an increase in efficiency of social production".[20]

The term *khozyaistvennyi uchet* needs to be distinguished from the apparently similar term khozyaistvennyi raschet which re-emerged into prominence with the 1965 Economic Reform. This concept implies a responsibility for, and a commitment to, fulfilling the requirements of the plan with the least consumption of the allotted resources, and thereby yielding a profit on the realized output. Consequently, the term may be translated as economic accountability.[21]

References

11. V.A. Mazdorov, Istoriya Razvitiya Bukhgalterskogo Ucheta v SSSR (Moscow 1972) p. 38 and pp. 123-125.
12. P.A. Kostyuk, Bukhgalterskii Slovar' (Minsk, 1971), p. 143.
13. P.A. Kostyuk, op. cit. p. 66.
14. V.T. Lenin, The State and Revolution in Questions of the Socialist Organisation of the Economy – articles and speeches (Progress Publishers, Moscow, undated), p. 71.
15. Uchet is derived from schet which has the meaning of "even number". Hence, uchet may be crudely rendered as "by numbers".
16. As an example, see I Gruntfest and B. Shcheglov, Bukhgalterskii Uchet v Promyshlennom Predpriyatii (Minsk, 1970) pp. 6-7.
17. P.N. Vasilenko, Osnovy Bukhgalterskogo ucheta (Moscow, 1971), pp. 13-14.
18. A. Saburov, "Operativnyi Uchet na Predpriyatiyakh" Bukhgalterskii Uchet, 1972, No. 9, p. 28.
19. V. Makarov, Teoriya Bukhgalterskogo Ucheta, (Moscow, 1966), p. 8.
20. I. Gruntfest and B. Schcheglov, op. cit, pp. 7-8.
21. Since the 1965 Economic Reform translators of the Soviet publishing houses have experimented with other translations, such as profit and loss accounting, and seem to have settled for the socialism cost accounting. An East German translator has suggested management accountability as an alternative to economic accountability. See E. Knaute, Industrialisation Planning, Financing in Developing Countries (Leipzig 1970), p. 84.

It is obvious that there are difficult nuances of distinction and translation involved here. What is clear is that *uchet*, without an adjective, is not only wider than "bookkeeping", it is also wider than "accounting" as traditionally conceived. The quotation from Kostyuk referring to the "quantitative and qualitative aspects of a thing" makes this especially clear. Further, it is explicitly stated that Statisticheskii uchet, relating to the fulfillment of the plan, is more important than Bukhgalterskii uchet, the money-based book-keeping process.

The term and concept were not in vogue during the 1970s, but we are tempted to suggest that the modern notion of corporate governance may contain something of the necessary breadth and generality of *uchet*. One inevitable qualification to this suggestion must be made, however, which is that the notion of a corporation is a Western ("bourgeois") one, far removed from either theoretical communism or practical Soviet economics. But we are dealing, with *uchet*, with the monitoring of events and of resources where "monitoring" is not restricted in its operationalisation or in its scope of application.

The following section of the March 1973 essay supports the thrust of our contention.

Uchet in Theory

Soviet accounting theory[22] is rooted in Soviet ideology (i.e. the Soviet interpretation of, and accretions to, classical Marxism). The underlying theme is provided by the passage described by Marx as "the guiding principles of my studies":

> "In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure, and to which correspond definite forms of social consciousness. The mode of production of material life conditions the process of social, political and intellectual life."[23]

Uchet is part of that superstructure and its function therein in explained by Vasilenko in the following manner: -

> "*Uchet* has existed for a long time. It arose in the course of the development of human society which, for the gratification of its requirements, carries out economic activities, i.e. material production calling for management and control. For this purpose was *uchet* created.
>
> In the course of historical development there has changed the method of production and, in connection therewith, the production relations and the social system. There are also changed the essence and character of *uchet* as the instrument of management and control of social production. In the conditions of every social system, *uchet* has its own special purpose and tasks, content and significance."[24]

Vasilenko elaborates the argument by setting out the position of *uchet* in the society of primitive communism:-

> "In the conditions of the primitive communal system, the basis of production relations is the social ownership of the means of production with the absence of the exploitation of man by man.
>
> Naturally *uchet*, reflecting the property and economic activities of the commune are to be found in the hands of the commune and serves the interests of all persons, of all society."[25]
>
> He sums up his argument in the following words :-
>
> "Thus, *uchet* is historically conditioned, i.e. connected with the specific method of production and the social order. In other words, accounting is dependent upon the social order, in so far as the character of the latter shows a spontaneous influence on the character of *uchet*."[26]

It follows that, according to Soviet theorists, uchet has been around from 10,000 to 25,000 years, or even longer. To someone nourished in the school of bourgeois accounting, the notion of Neolithic man turning aside from the gnawing of a raw shin-bone of a woolly rhinoceros to up-date his accounting records seems so bizarre as to not merit serious consideration, and until the publication within recent months of the work of A. Marshack,[27] no evidence had been adduced to support the Soviet hypothesis.

References

22. The ensuing outline of some aspect of Soviet accounting theory is drawn from the following sources:-
    H.V. Dembinskii, Teoriya Sovetskogo Bukhgalterskogo Ucheta (Minsk 1957) ch.1.
    V.G. Makarov, Teoriya Bukhgalterskogo Ucheta (Moscow, 1966), ch.1.
    P.N. Vasilenko, Osnovy Bukhgalterskogo Ucheta (Moscow, 1971), ch.1.

    This choice of texts was eclectic. A post hoc defence is that all three texts have been favourably, albeit briefly, commended in V.A. Mazdorov, op. cit., pp.244, 273 and 308. Professor Dembinksii is the head of the Department of Economic Analysis at the Kuibyshev Institute for the National Economy of the Byelorussion S.S.R.

    All three books expound a closely similar approach to the exposition of the subject-matter, a practice that is now being criticized. See E.K. Guilde, "O Podgotovke Ekonomistov – Bukhgalterov", Bukhgalterskii Uchet, 1972, No.10, p. 7.

23. K. Marx, A Contribution to the Critique of Political Economy (Lawrence & Wishart, London 1971), pp.20-21.
24. P.N. Vasilenko, Osnovy Bukhgalterskogo Ucheta (Moscow, 1971), p. 8.
25. P.N. Vasilenko, op. loc.
26. P.N. Vasilenko, op. loc
27. A Marshack, The Roots of Civilisation (McGraw Hill, New York, 1972).

A lengthy diversion follows concerning Marshack's claims of artefact evidence of record-keeping and calculating going back for many millennia. The essential point concerning uchet in the above is firstly that its implications are contextually determined and secondly that in a communist (perhaps read commune-ist) context, it is society in its entirety that is doing the monitoring. This is emphasized in the essay a few pages later, together with Derek's very proper insinuation that the reality might be different.

Uchet in Class Society

The next strand in Soviet accounting theory is, in the words of Vasilenko, that "in the conditions of class society *uchet* bears a class character, being an instrument which the governing class utilizes in its own interests."[54] This argument is in accordance with the proposition of Marx that surplus value is created by the exploited class and appropriated for its own use by the exploiting, and ruling, class.[55] …….

The general question of the use of accounting or *uchet* as a tool for the extraction from a subjected class of a surplus for the benefit of a ruling class will not be considered on this occasion except to note Valisenko's contention that "utterly otherwise is uchet in conditions of the socialist social system, the foundation of which consists in the social ownership of the means of production and the socialist economic system. Here there are no exploiters, no exploited, and therefore *uchet* is not a means of exploitation. It serves the interests of all the working people, of the entire socialist society."[58] Whether or not this is a valid contention depends upon the nature of Soviet society. For example, whether it is a society comprised of a ruling elite and the masses[59] and, if so, how that ruling elite excuses its power because its doing so will inevitably influence the ordering of social priorities and the disposition of the income of the enterprises.

References

54. P.N. Vasilenko, op. loc.
55. K. Marx, Wages, Price and Profit, IN K. Marx & F. Engels, Selected Works (Lawrence & Wishart, London, 1953), Vol. 1, pp. 361-400.
58. P.N. Vasilenko, op.cit., p. 8.
59. Such a composition of Soviet society is made explicit by the concept of the party as the vanguard of the toiling masses.

An important aspect of *uchet* is its relationship with economics, which Derek addressed as follows.

Uchet and Economics

The fourth strand in the theoretical structure of *uchet* is that "the theory of book-keeping is a branch of the economic science of the socialist economy."[60] In the U.S.S.R. book-keeping and economics share a common terminology derived from Marxist political economy. To a Soviet book-keeper, capital investment appears to signify investment new to the national economy and not, as it could be in the usage of a bourgeois accountant, simply the acquisition of a second-hand machine from another user. The concepts of the labour theory of value are accepted by Soviet writers on *uchet.* The sharing of a common terminology is facilitated by the existence of a unified national economic accounting system and is necessitated by the need for effective communications both among the various supervising organs overseeing the enterprise and between them and the enterprise book-keeper. It is interesting to note that the interpretation of accounting information by the supervising organs is called economic analysis and that the bourgeois accountant's term of accounts analysis is not employed.[61]

From the Soviet literature on *uchet* it may be reasonably inferred that the authors tend to regard the book-keeper as a species of the genus of economists. In the words of Vasilenko "Soviet book-keeping is one of the forms of economic *uchet*"[62] and "in a broad sense, economic *uchet*, as is shown by its own name, is the *uchet* of the economy, the *uchet* of the activities of human society, which consists of the production and distribution of material benefits necessary for the satisfaction of necessities in food, clothing, shelter, etc.[63] Since the purpose of book-keeping is held explicitly to be the reflection of economic activities of the country, it naturally follows that there is a close connection between Soviet

economic theory and the practice of book-keeping. Consequently, "the Soviet book-keeper must possess not only specialized knowledge but also a broad economic outlook, in order to correctly and consciously fulfill the accounting work in the interests of the socialist society".[64]

Although in Soviet accounting theory great stress is placed upon the role played by accounting returns (*otchetnost'*) in reporting upon economic performance, the information periodically yielded up by the accounting system is not considered to give a complete picture of the state of economic activities.[65] Instead the quantitative indicators of operations and processes yielded by *uchet* may serve as a basis for a qualitative appraisal.[66] That is, economic activities can be appraised only in relation to some pre-conceptions of what should be happening. The results of economic activities may be assessed against a vector of objectives, some of which may be readily quantified such as the number of units produced, but others, such as the assortment of products and their quality, are to a greater or lesser degree dependent upon a qualitative appraisal. In this regard, Soviet accounting practice is significantly different from capitalist accounting practice which gives overriding importance to the one quantitative indicator of profit. Profit is seen to be a sufficient goal and justification of economic activity. It may be observed that profit may be so seen more readily by accounting scholars, because of its susceptibility to analytical treatment, than in the day-to-day practices of businessmen. Of course, there are scholars who have expressed a contrary view.[67] It may also be remarked that Soviet accounting practice in seeing a close link between accounting and economics differs from the position in Britain where such links have been traditionally tenuous.

References

60. N.V. Dembinskii, Teoriya Sovetskogo Bukhgalterskogo Ucheta, (Minsk, 1957), p.27. It is a view cited with approval in V.A. Novak, M.Z. Vaisman, Ya. S. Gradshtein, A.D. Sheremet, Uchet i Analiz v Usloviyakh Reformy (Moscow, 1969), p. 74.
61. It would be more precise to say that accounts analysis is not separately identified but included within economic analysis since ekonomicheskii analiz is defined as "the science of studying the results of the economic activities of enterprises and their obedinenni on the basis of the indicators of the plan, uchet, accounting returns (otchethosti) and other sources of information." P.A. Kostyuk, Bulkgalterskii Slovar' (Minsk, 1971), p. 156.
62. P.N. Vasilenko, Osnovy Bukhgalterskogo Ucheta (Moscow, 1971), p. 5.
63. P.N. Vasilenko, op. loc.
64. P.N. Vasilenko, op. cit., p. 4
65. "Under socialism accounting returns (otchetnost') are necessary for the guidance of the national economy. P.A. Kostyuk, Bykhgalterskii Slovar', (Minsk 1971), p. 91.
66. P.N. Vasilenko, op. cit., p. 7.
67. K.P. Gee, A Positive Approach to Corporate Objectives (Industrial, Educational and Research Foundation, London, 1969).

This discussion contains the seeds of an important practical problem which we return to several times later in this paper, namely the extent to which bukhgalterskii uchet is a passive, fundamentally non-intelligent and certainly non-intellectual activity, rather than having itself an appraisal function. The stated need for "the

Soviet book-keeper" to possess a "broad economic outlook" argues against the passive and limited approach. But the statement that the quantitative indicators yielded by *uchet* may serve as a basis for a qualitative appraisal clearly suggests that this appraisal may well take place outside, and supra to, the uchet function, i.e., by the economist. We produce much evidence later in support of the practical prevalence of this latter perception.

Derek summarises all this material as follows :-

In summarizing this review of the nature of the theoretical foundations of *uchet*, it can be said that:

(a) it is based on Soviet ideology derived from classical Marxism;
(b) it is postulated that the practice of *uchet* is conditioned by the technical means at the disposal of a given society according to the stage of its evolution;
(c) it is postulated that the practice of *uchet* is influenced by the class character of a particular society;
(d) the theory of *uchet* is a branch of the economic science of socialism.

Lastly, it should be noted that *uchet* embraces, and is more extensive than, accounting as that term is generally understood by a bourgeois accountant. These propositions are the conventional wisdoms of Soviet theory on *uchet* and are of long-standing.

2. THE SOVIET BOOK-KEEPER

An important article under this title appears in the Bulletin Vol. 5. No. 2. This is actually the Summer 1977 Number, though it is mis-dated Summer 1976. It quotes at length from an article in Pravda. This was of course the official daily newspaper of Party and State, and in no sense a narrow technical journal. The views expressed may be taken as having Party approval and, if politically motivated, certainly politically supported. This does not of course necessarily make the comments "true", but it does make them influential and important in the context of the time. The Bulletin gives the attribution as 20 April 1972, but we suspect that 1977 may have been the correct year. The article is transcribed as follows.

The book-keeper is encountered in every enterprise, construction, transport and trading organization, state and collective farms and all institutions. Over two million book-keepers are working in the national economy. The Communist Party and the Soviet Government, at all stages of socialist construction, attach considerable significance to the proper organization of accounting as an indispensable condition for the efficient direction of the economy. The XXIV Congress of the CPSU called for an all-round improvement in the system of accounting and reporting.

The role of accounting and control in all parts of the national economy has continued to grow with the substantial expansion of productive capacity and the greater complexity of the economic linkages. A broad field of activity in achieving higher production efficiency, a more rational utilization of materials, fuel, energy and a lower labour expenditure has opened before accounting workers.

Book-keepers are truly called state controllers. Upon them have been bestowed wide powers in the field of accounting and control for the proper expenditure of monetary and material resources. The book-keeper is required to be unremitting and steadfast in the struggle against waste and mismanagement. He is empowered to refuse to act upon and record documents contravening current legislation. The prime responsibility of the book-keeper is ensuring that stock and financial discipline is observed strictly in all sections of production.

Accounting does not everywhere meet the ever growing demands. There are still serious shortcomings in the protections of socialist property, violations of financial discipline, unnecessary outlays of material and monetary values. The ever present need to improve the management of the national economy requires that accounting and reporting to the greatest extent serve the interest of deep economic analysis. The information issuing from the accounting services must be correct and operationally useful. The reliability of reported data on production, realization, introduction of new capacity and the fulfillment of other tasks acquired paramount significance.

The book-keeper is not a passive official recorder of figures. He is required to appraise correctly the essence of economic processes. Some accounting workers still give inadequate attention to analysis, such as, of the implementation of planned tasks, cost estimates and expenditure norms and the potential for improving the financial and business activities.

The Ninth Five Year Plan envisaged a broad programme of accounting mechanisation.

The significance of the qualifications of the book-keeper grows in modern conditions. The problems of the education and training of the accounting cadres is still solved slowly. Enterprises and organizations, state and collective farms should to the greatest extent release workers to the higher and secondary educational institutions for training in the specialism of book-keeper. The education and training of these cadres is the responsibility of the Ministry of Higher and Secondary Specialist Education.

It would be wrong to say that only the accounting cadres are able to solve the tasks connected with the improvement of accounting and control in all links of the national economy. It is the common business of collectives, heads of enterprises, ministries and departments. Questions of the proper organization and the improvement of the accounting and control must be constantly in the field of vision of the party organizations. It is necessary to increase the responsibility of executives and chief book-keepers for the efficient work of the accounting services and educate its cadres in the spirit of a high sense of duty. Business executives and party organizations are called upon to support in a business-like manner all new developments affecting this section.

The Soviet book-keeper is a protagonist for the economic policy of the Communist Party and the Soviet Government. It is the sacred duty of this great contingent of specialists to direct its efforts to the successful realization of the tasks adopted at the XX1V Party Congress, to struggle for the implementation of the state plans with the least labour and material expenditures, the strict observance of the regime of economy and to cherish and augment their social responsibility.

SOURCE "Sovetskii bukhgalter" Pravda, 20 April 1972

Derek comments on and discusses the implications extensively.

This leading article from the national newspaper of the CPSU provides an authoritative statement of the role of the chief book-keeper in Soviet society. The book-keeper is considered to be a state controller. His first responsibility is for the maintenance of state and financial discipline. He is a protagonist for the policy of the Communist Party and the Soviet Government. Each is a separate aspect of the same function.

In the Soviet Union the economy is directly harnessed to society's needs (as perceived by the Party when setting the priorities for economic and social development) through the agency of the state economic plan. The state plan is the instrument for the management of the economy. The corporate plan (tekhpromfinplan) of each enterprise is a component of the state economic plan. If the corporate plans are not uniformly implemented the development of the national economy, the realization of the goals of the national economic plan, is imperiled. The stresses and strains borne by each enterprise in attempting to carry out its own separate plans are aggravated as the effects of shortfalls in output and delivering at one point in the economic system are experienced by a widening circle of enterprises. Short-term production programmes have to be re-scheduled (by re-allocating production quotas among enterprises) to enable the targets of the national economic plan still to be realized. To enable these adjustments to the commitments placed upon enterprises to be made (whether by the industrial ministries or the state planning commission) there has to be provided a feed-back of statistical and accounting data on the performance of each enterprise.

It is necessary to have a series of controlling mechanisms to ensure that the plans are executed. The system of managerial controls (through the industrial ministries) and the material technical supply systems facilitate the implementation of the enterprises' plans. The accounting control (by checking that the authorized prices for materials and products, remunerations and manning schedules are observed and that the enterprise's transactions are consistent with its corporate plan) provide, or are intended to provide, a curb to the freedom of action exercised by enterprise management.

In summary, the chief book-keeper and his departmental staff are concerned with:

1. Reporting on enterprise performance
2. Ensuring that the ground rules governing managerial action are observed.

Together these tasks may be called the monitorial functions. It compliments the planning functions.

For the exercise of the monitorial function as an all-union scale, privatized accounting, characteristic of capitalist economies, is superseded by socialized accounting. Each enterprise may not exercise the prerogative of designing and operating its own accounting information system. Instead, the accounting within each separate enterprise is performed in a manner consistent with the requirements of the centrally designed and compulsorily imposed all-union standard system of accounting data processing.

At the micro-level of the economy there is a standardised system of economic accounting, of which the accounting carried out by each enterprise is an integral component. Through the accounts plan and the accounting manuals the enterprises' accounting is integrated vertically within each industry. The accounting of each enterprise is interlocked horizontally with that of supplier and customer enterprises and institutions

(e.g. the banks). "Accounting in the socialist state enterprises is carried out as an unified system; it is an organic part of economic accounting for the given branch of the industry and for the national economy as a whole!"1 (As yet, a system of double entry macro-economic accounts has not been developed. Only selected items of accounting data are aggregated to the all-union level). Economic accounting has been described as providing a quantified picture of the facts characterizing the process of production and the realization of output with the aims of ensuring to all parts of management the data necessary for the direction, planning, and regulation of production and realization. But, the provision of an accounting service to the management of the enterprise is treated as if it were of much less importance than the provision by the accounting office of the enterprise of an accounting service to the state.

As mentioned previously the exercise of the monitorial functions – reporting and control – is of primary importance in the work of the chief book-keeper. The tasks of reporting and control are complementary: reporting upon the enterprise performance to the external supervising authorities and maintaining an internal watch over the operating activities of the enterprise.

Control is a wide-ranging activity. The purpose of control is to ensure that the production and financial activities of the enterprise are directed to the fulfillment of the national economic plans, socialist property safeguarded and the material, labour and monetary resources utilised efficiently.

The accounting workers are required to operate a strict regime of economy and the system of economic accountability (although the institution of the latter is primarily the responsibility of the chief economist). The accounting workers are required not to process documents for transactions infringing the current legislation or which reflect irregular methods of receiving, safeguarding and using resources. Unlawful activities uncovered (including the puffing and window-dressing of data) the chief book-keeper is required to report to the chief executive of the enterprise or to the higher organization and to the organs of national control.

Upon receiving from officials of the enterprise instructions that infringe the current legislation or violate the authorized methods of performing the work of book-keeping and reporting, the chief book-keeper is obliged to notify the chief executive by a written communication. Should the chief book-keeper then receive a written directive confirming the original irregular instruction, he is required to advise the higher organizations and the organs of national control. Upon the receipt of an instruction to perform a criminal action the chief book-keeper is required to notify immediately the higher organization and, in appropriate cases, the investigatory organs. In performing the role of state controller the chief book-keeper is expected to behave like a mastiff (in sniffing out inefficiencies) and a watchdog (in drawing attention to irregular goings-on).

The ability of the chief book-keeper to fulfil either the letter or the spirit of these seemingly rigorous duties depends upon the real, rather than the apparent, authority invested in, and wielded by, him within the enterprise. A number of Soviet accounting workers, to judge from the columns of Bukhgalterski Uchet do not seem to regard the authority as being comparable with the duties laid upon the chief book-keeper. There is an ambivalence in the Soviet attitude towards accounting personnel that stems from differences (if not inconsistencies) between the perception of the role of accounting and the place of accounting workers in the socialist society.

The article echoes Marx in declaring that the accounting function becomes increasingly important with the economic development of society and is suggesting that the role of accounting becomes increasingly social. But, the importance placed upon the accounting function in the administration of the economy is not reflected in the social standing of Soviet book-keepers. In fact, since the early nineteen sixties there has been a decline in the public standing of book-keepers.

There are certain reasons, inherent in the nature of the planned economy, that explain why the Soviet book-keeper is a less important official than the accountant of a capitalist enterprise. First, the task of enterprise planning has been separated from the accounting functions. Second, finance has not the crucial significance for the Soviet enterprise that it has for the capitalist enterprise. These features of the Soviet economy are of long-standing but there have been more recent changes that have affected the position of the Soviet book-keeper. The finance function has been separated from accounting and taken over by the finansist [sic] who is responsible to the chief economist of the enterprise. The chief economist is concerned with such matters as the preparation of accounting data in respect of prospective courses of action. That is, the manipulation of accounting data in connection with the needs of engineering economy (e.g. cost studies of alternative technologies) falls outside the accounting function.

Both the finansist and the chief economist were introduced into enterprises during the nineteen-sixties. The work of the chief book-keeper and his staff has been whittled down to accounting data processing. That is, the compilation of a historical record on the operating activities of the enterprise and the compilation of accounting returns thereon.

There are over two million book-keepers in the USSR compared with some 100,000 accountants in the United Kingdom. Allowing for the difference in the sizes of the population of the two countries (approximately 5-1, the latest population census for the USSR yielded a total of 256.7 millions), there are about four times as many book-keepers in the USSR as accountants in the U.K. and there are relatively more accountants in the UK than in other advanced capitalist countries. This vast difference is attributable to the variety of tasks encompassed by accounting in the U.K. corporate planning, financial management, cost investigations in addition to the processing of data concerning the business transactions. It is this last difference that goes some way to explaining the disparity between the public standing of Soviet book-keepers and British accountants.

There are ideological beliefs that contribute to the low public standing of Soviet book-keepers. In the USSR labour effort and the labour force are divided into three broad categories of:

physical work	manual workers
intellectual work	technical and economic intelligentsia
service work	clerical and other workers providing supportive services to the first two groups.

The first group is considered to be materially productive and the second group intellectually productive, the division of labour increasing the overall productivity. It is otherwise for the service labour. According to Marx the book-keeper receives a share of the surplus created by the productive workers, the role of book-keeper arising from a division of labour among the administered and the administrators. Although the upkeep of the accounting function is

parasitic on the fruits of other people's labour its cost will become a smaller proportion of all social outlays as society continues to develop. The eventual development of communist society involves the withering away of the state. That is, the withering away of bureaucracy and with it, accounting. "Very many categories of office employees will become unnecessary." Further, in the course of communist construction, "the need for wages clerks undoubtedly will fall. Their functions will be performed by the working people themselves." An ideological rationale is provided for squeezing the number of accounting workers.

To the extent that accounting workers undertake economic analysis (i.e. the analysis of the data contained in the accounting returns) the "service labour" is transformed into "intellectual work." By and large, the accounting returns compiled by the accounting workers are analysed and interpreted by other groups of personnel (either within or outside the enterprise), in so far as the torrent of accounting returns is treated to close scrutiny. The chief book-keepers of enterprises have been unable to secure any degree of primacy in the conduct of economic analysis (with the exception of balance sheet analysis). Within the enterprises the more interesting aspects of accounting activity (i.e. the "intellectual work") have tended to gravitate towards and be monopolised by the chief economist so reinforcing the inferior status of the accounting personnel.

And, on and off since the October Revolution, Soviet economists, when discussing the need for and the place of accounting in the planned economy, have been anticipating its eventual disappearance.

Reference

1. G.V. Teplov, Teoriya i praktika planirovaniya na promyshlennom predpriyatii (Moscow, 1970) p. 424

Three points in particular stand out from these comments. Firstly, the book-keeper's primary responsibility is to the authorities – i.e. the Party and the Government, as Pravda puts it – and *not* to the enterprise in which she/he works or to the other staff within it. Secondly, the status of book-keeper, as Derek's comments make very clear, is low and falling, and thirdly this decline in status is largely mirrored in a corresponding rise in status, and increase in role, of the economist.

It appears that the status of the chief book-keeper was considerable up until the mid 1960s, and then suffered a sharp decline. The matter was discussed in an article in Bukhgalterskii Uchet, 1976 no.9, summarized in the Bulletin Vol. V No.4, followed by an editorial comment, clearly by Derek Bailey. This comment presents an excellent summary of the dynamics of these developments.

It was in 1935 that the Commissar for Heavy Industry, G.K. Ordzhonikidze, declared that:[1]

"The book-keeper must be one of the most important figures of our industry, the most immediate assistant of the factory director so that daily and monthly he is advised how the business is faring".

Some such relationship did come about during the period of the command economy (approximately 1928-1965). At that time the enterprises possessed but a simple managerial structure and a small managerial apparatus. Apart from the director, who bore the ultimate responsibility for the success or failure (i.e. in terms of production plan performance) of the enterprise, the senior officials were the chief engineer and the chief book-keeper. The enterprise was in essence a production plant and its director a plant manager. The enterprise was operating in accordance with the detailed directives prepared by the state planning authority and routed through the controlling industrial commissariat to the factory director. The chief engineer was concerned with the technical aspects, and the chief book-keeper was the sole senior official informed on the financial and cost aspects of enterprise performance.

From around the close of the command economy period occurred the decline in the position of the chief book-keeper. It coincided with the expansion of managerial apparatus and the appearance of new sorts of managerial specialists, including the chief economist, and the concentration of the typical single-plant enterprise into multi-plant corporations (ob"edinenie). At the time Professor Veitsman wrote:[2] "Until recently the problem of the relationship between the chief book-keeper and the chief economist did not exist" in the course of an advocacy of the former's contribution to the economic analysis of the enterprise's activities. He contended that:[3] "no-one is able to feel the "economic pulse" of the enterprise like the book-keeper".

The decline in the position of the chief book-keeper occurred against the background of the introduction of he New Economic Reform (announced in September 1965) which increased the discretionary powers of enterprise management. Although the Reform precipitated the erosion of the chief book-keeper's position it does not provide an adequate explanation. Indeed Professor Vietsman anticipated:[4] "In the new conditions of business management…the sphere of influence of the chief book-keeper will expand". Now ten years later, he concedes that the chief economist has supplanted the chief book-keeper, as, in some respects, the right hand of the director. Some of the causes of the subsequent decline were indicated at its beginning by Professor Vietsman:[5] "… the heads of the accounting function were not always authoritative and qualified analysers. Frequently they restricted themselves to an analysis of the balance sheet and excluded from their range of attention the problems of production analysis".

In an economy where "the plan is law" a study of the financial indicators can be neither substituted for, nor isolated from, a study of the production indicators.

The primary concern of the director and the chief engineer is plan fulfillment (in terms of the units of products manufactured and dispatched). These two officials, together with the chief economist, share in common a technical knowledge and vocabulary lacked by the chief book-keeper. The chief economist, trained in engineering economy (i.e. industrial engineering and "engineering costing" or the analysis of cost studies) is equipped to use cost data in the cause of increased technical efficiency by achieving economies in the resources used for conversion into the outputs stipulated by the plan. The chief book-keeper is not equipped by training to act as a cost engineer and was not able to grasp the apparent opportunities presented by the introduction of the New Economic Reform so that his role shrank to that of a data processor. From the national, as distinct from the enterprise

management, viewpoint the chief book-keeper still continues to occupy a major role in fulfilling the state controllership function.

Within the Soviet business undertaking prospective engineering economy has proceeded independently of retrospective accounting. And so, the chief economist has been able to stake out a claim to primacy in economic analysis.

In Britain engineering costing was originated by engineers during the Victorian era and during 1914-1918 was absorbed into accounting. By means of a business ideology shared with the entrepreneurs the accountants were able to consolidate their position as a major managerial specialism and reached out to embrace both retrospective and prospective accounting. It was an ideology but weakly imbued by the British engineering profession.

References

1. V.A. Mazdoron, Istoriya razvitiya bukhgalterskogo ucheta v SSSR (Moscow, 1972), p. 139.
2. N.R. Veitsman, Bukhgalter predpiyatiya (Moscow 1966), p. 35.
3. Op. cit., p. 36.
4. Op. cit., p. 39.
5. Op. cit., p. 35.

It seems to us that a coherent picture is emerging. The chief book-keeper's primary responsibility was to the State and to the Plan. When the State and the Plan were in supreme and total control, the chief book-keeper was a genuinely powerful figure. But when, in 1965, a significant degree of discretion began to be delegated to enterprise management, the book-keeper was unable to fulfill an effective role as part of this management decision-making process. He (or, often, she) lost out in this respect to a new breed of "chief economist".

On a number of occasions the Bulletin presents vignettes taken from the reality of the book-keeper's function, and (self)-perception. The selection in Vol.IV No.2, (1976) pages 32-34 is both succinct and representative.

SCENES FROM LIFE

ACCOUNTING – THE CINDERELLA OCCUPATION

The chief book-keeper bears full responsibility for the legality of economic operations and the organization of accounting and control but he does not always enjoy respect. At the construction organization where the writer works the executives directly abuse the book-keeper before the workers of other services when he tries to comply with the legal requirements. The head of the organization declared that the chief book-keeper must remember the principle of one-man management and not forget it.

Draft orders on remuneration, bonus-schemes, appointment of materially responsible persons are not agreed with the chief book-keeper. To his pleas the chief executive said, 'Write me a memo and I will not give it attention'. The managers of the various services, taking their cue from the chief executive, give scant regard to the requirements of book-keeping and cause the accounting office much trouble and worry.

When compiling the staffing complement for the accounting the views of the chief book-keeper are generally ignored and the suggestions of the head of the planning department accepted. The latter regards accounting as of secondary importance and considers the staff should be reduced because accounting does nothing.

The responsibilities of the chief book-keeper are very great but in essence he has no rights.

- from letter of T.S. Marchenko, chief book-keeper of a construction organization, Tiraspel', to *Bukhgalterskii Uchet*.[1]

The book-keeper is responsible for the reliability and accuracy of accounting and control but in the current salary scales the economist is treated as a specialist and the book-keeper as a clerical worker. Hence, the difference in prestige, in wages. The basic lines of development of the economy during the new five year plan must be reflected in the growing role of the book-keeper.

- from letter of A. Kravchuka, Zaporozh'e to *Pravda*.[2]

Among the unpopular professions (the "Cinderella") is the book-keeper, but the role of the book-keeper in the management of the economy grows and it is necessary to give much attention to their view and problems.

Accounting offices in enterprises are served badly by accounting computational techniques. These are old-fashioned in design and spare parts are lacking. Incentives for accounting workers are small and infrequent. In the enterprises' official expressions of appreciation are mentioned nearly all the professions apart from book-keepers. Portraits of book-keepers are not usually found in the avenue of fame. For periods the posts of book-keeper remain vacant. In a number of instances book-keepers are paid less than norm-setters or economists. Even chief book-keepers receive less wages than the foremen of shops and sections. Frequently specialists with secondary education are paid more than book-keepers with higher education.

Solving these problems will raise the authority of the book-keeper who is the advocate of the Party's economic policy, the state guardian of the nation's kopeks. The output of the accounting office is the money saved for the good of the nation.

- from letter of A. Beleenko, chief book-keeper "Elektroapparat factory, Zelenokumsk, Stavropol's province to *Pravda*.[3]

There cannot be wrong-doing in enterprise if the elementary norms and rules of accounting are observed. It is one of the most effective means of protecting socialist property. The writer knows cases where the "operations" of lovers of quick profits were suppressed by faultless accounting and reporting. For several reasons not all accounting offices are on guard against transgressions. A person receiving an accounting and economics education may use his knowledge both in accounting offices and in economic planning departments but he would prefer the latter. The work in accounting offices is painstaking, responsible and the work-load is heavy, especially for the preparation of the quarterly and annual reports. The requirements are less arduous in planning departments and there are advantages in wages, pension entitlement and holidays. Book-keepers working beyond the retiring age have no right to even a part-pension payment but

economists receive half pension in addition to wages. Workers of the accounting and economic services are divided into two categories. Book-keepers are clerical workers. Planners, economists are engineering and technical personnel. This is the chief reason for the drying-up of the flow of qualified accounting cadres. The instability and chronic shortage of cadres, the incompetence of individual accounting workers create the conditions for transgressions.

By combining the planning department and the book-keeping office into one accounting and economic service parallelism will disappear, and it will be possible to divide equally the work-load and significantly curtail the managerial apparatus.

- from article by M. Multykh, chief book-keeper, "Dinamo" knitwear factory, Krasnodar, in Pravda.[4]

References

1. Bukhgalterskii Uchet, 1976, No. 1, p. 66
2 & 3 Bukhgalterskii Uchet, 1976, No. 2, p. 73
4. Bukhgalterskii Uchet, 1976, No. 4, p. 71

These extracts show a common feeling of frustration, or worse. A visible spiral is in progress; low status and low rewards leads to a lack of competent entrants to the book-keeping function, which inevitably tends to exacerbate the low status. Two extracts from a large selection in Vol. III No. 1 (page 8) emphasise tensions inherent in the book-keeper's role in the 1970s.

Book-keeper under control of great number of organizations – financial organs, Gosbank, statistical administration, national control, etc., responsibilities various and labour undervalued. Executives of enterprises have not right to stimulate chief book-keeper as participating member of collective. Higher organizations judge his work by promptness, quality of reports.

Outstanding workers contributing to plan fulfillment receive bonus but chief book-keeper excluded although role in production process far from minor. One of reasons for shortage of accounting cadres is unattractiveness of accounting profession to young people. Highly offensive that for much work, great service and higher specialist education wages lower than for other specialists.

- from letter of V.I. Poskrebnev, chief book-keeper, Spirit and Wine Association to 'Bukhgalterskii Uchet.'[3]

Accounting profession over-shadowed by many new glamorous professions. Chief book-keeper of any enterprise, institution and the collective do not share same view in solving questions concerning accounting and financial discipline. Need to examine role of chief book-keeper in relation to chief executive of enterprise and departmental heads who, in solving tasks, run up against obstacles, both formal procedures and financial. If chief book-keeper does not to some degree let zealous business executive evade laws, violate financial discipline subject to uncomplimentary reproofs and often also unpleasant consequences.

- from letter of A.V. Grudinin, chief book-keeper, SMK Orenburg Geological Administration to 'Bukhgalterskii Uchet.'[4]

References

3. 'Bukhgalterskii Uchet,' 1975, No. 1, p.59
4. 'Bukhgalterskii Uchet,' 1975, No. 1, p.58-59

Again, the book-keeper's role emerges as a pedantic and essentially passive guardian of the rules and regulations, rather than as a contributor to a management team. The penalty for failure could be high, as Vol IV No.1 indicates (p. 11).

SCENES FROM LIFE

Fraud in the Azerbaijan SSR

The onerous nature of the duties of the glavnyi bukhyalter as state controller and the severity of the penalty of failure in performance were dramatically underlined by the following news item:

> Five ringleaders of a £6 million swindle have been sentenced to death by firing squad by the Supreme Court of the Caucasian republic of Azerbaijan.
> Receipts for thousands of tons of non-existent tomatoes and vegetables from farms in the Lenkoranskoi region were falsified over a three-year period.
> The five men were E. Zokhradbov, chief accountant of a canning factory, G. Bairamov, one of the heads of a sorting and purchasing depot, G. Makhmudov, head of a fishing collective, A. Dolmatov and R. Guseinov, the local paper Bakinski Rabochi reported last Thursday.
> Another 59 people involved were given stiff sentences and all the defendants had their personal property confiscated by the court, including a large quantity of jewellery, nine cars and several houses built on the proceeds of the fraud.
> On the falsified state payments receipts and delivery notes for the non-existent supplies were credited to the bank accounts of the farmers concerned and then divided out among them.
> Local Communist Party organizations and official inspectors were severely criticized by Bakinski Rabochi for either ignoring what had been going on or deliberately covering it up.
> The former first secretary of the Lenkoranskoi regional party committee had apparently withheld the papers relevant to the case.

Source: Morning Star, 27 December 1975

3. ACCOUNTING WORKERS IN THEORY AND IN PRACTICE

Vol. VII No.3 of the Bulletin (Autumn 1979) contains a summary of an interesting article discussing Lenin's views on the accounting function, reproduced here.

LENIN ON ACCOUNTING WORKERS

Theme: Professor Veitsman considers Lenin's views on the place of accounting workers in the Soviet economy.

Synopsis: In his work 'State and Revolution' Lenin wrote about the specific ways of replacing the smashed bourgeois state machine. Lenin named as one of the most important stages the transition from private property to social ownership in the means of production. Such a transition, linked with surmounting many difficulties, requires the most careful and continuous accounting and control in modern economic conditions. There are opened up great opportunities. The realisation of such grandiose tasks acquires vital significance because the entire economic potential of the country must be radically changed and become really national, depending upon a complete coverage of economic life by effective accounting.

The fundamental importance of Lenin's prediction of the decisive role of accounting and control in the socialist state became clear in the first years of the Soviet Republic. In 'State and Revolution' we find words having a special meaning for accounting workers. Lenin recalls the words of Karl Marx on universal suffrage 'which must serve the people organized in communes, to find workers, overseers and book-keepers'. Of exceptional importance is Lenin's dictum 'Capitalism has simplified the function of "state" management to permit the casting off of "command" and the conducting of all business by the organizations of the proletariat (as the ruling class) hiring workers, overseers, book-keepers in the name of society'.

'We are not utopians', continues Lenin, 'we do not dream about doing without any kind of management, without any kind of subordination … we want the socialist revolution with people as they are now, who cannot do without subordination, without control, with overseers and book-keepers'. And further, 'Specific "bossing" of state officials may and must at once, overnight, begin to be replaced by the simple functions of "overseers and book-keepers", functions which are already within the level of competence of townspeople in general'. In that paragraph Lenin used those two words eight times. He considered overseers[1] and book-keepers[2] to be among the indispensable participants of large-scale production, together with 'technicians[3] of all sorts, types and degrees'.

'Overthrow the capitalists', continues Lenin, 'and before us freed from "parasites" is a technically highly equipped mechanism which the united workers, themselves, are fully able to set in motion, hiring technicians, overseers and book-keepers…. Here is a specific practical task immediately realizable in relation to all trusts, releasing working people from exploitation, taking account of the experience accumulated (especially in the construction of the state) by the Commune'.

In the final paragraph Lenin for the last time uses the expression "technicians, overseers, book-keepers". They are meant to fulfil their responsibilities under the control and leadership of the armed proletariat in a state organized on a new economic basis.

Such are the statements of Lenin on the role of the people of our profession as indispensable participants in the economic process. We know that the mass of book-keepers unreservedly went over to the side of the people straight away placing their knowledge and experience at the service of the new economic order, contributing to the regeneration and improvement of the accounting apparatus. Lenin produced a specification of the most important role of accounting in the construction of socialism: 'Accounting and control – that is the main thing required for setting to rights, for the proper functioning of the first phase of communist society'.

Attaching special significance to correctly functioning accounting, Lenin emphasised that under social production 'when all begin to manage … independently social

production, independently carry out accounting and control … the evasion of this universal accounting and control inevitably becomes incredibly difficult, such a rare exception … that the necessity of observing the simple, fundamental rules of any human society will very quickly become a habit'.

It is appropriate to dwell upon the word 'overseers' used in conjunction with the word 'book-keepers'. There is a radical difference in the behaviour of people called by the first of these names in capitalist and socialist enterprises. In Soviet factories on-going overseeing of the course of production is carried out by shop-foremen, charge-hands, inspectors in conditions of comradely respect, equality. Lenin declared that in the new economic conditions technicians of all sorts, types and degrees would work better than when subordinated to the capitalists.

For accounting workers Lenin's statements on the role of book-keepers, the place members of the accounting profession would occupy in the future, have great importance. Among our youth the profession of book-keeper still has no great authority. To youth this profession is a grey, despondent field of calculation, devoid of heroics. Is it so? First a little history. Before October [1917], in the article 'Can the Bolsheviks Attain State Power?' Lenin was very confident that clerical workers fulfilling 'the actual work of accounting, control, registration of calculations and bills', being in a proletarian or semi-proletarian position, at once would go over to the side of the new social order. Thus it occurred in the overwhelming majority of instances. Among the saboteurs were almost no accounting workers. On the contrary, in the difficult conditions of financial ruin and a depreciating currency, at times using wrapping paper and other discarded paper, they ensured the continuation of accounting. At the same time they prepared the grounds for the restoration of value indicators, decisively repudiating the fantasy of those proposing to substitute accounting based on double entry and the balance sheet by one based on 'labour units' (the tred).

If the help of book-keepers was unnecessary when the victorious proletariat took power Lenin would not have given such great attention to this problem.

The sphere of application of accounting is changing. It expands continuously in line with changes in the organization and structure of national economy and with the creation of a powerful production complex. From accounting is required a systematic and maximum presentation of thorough and all-round information for the needs of operational and perspective analysis and direction. To feel the "pulse" of the economy of any enterprise to signal quickly about fluctuations in work rhythm – this is an honourable task. Vigilant book-keepers care for the security of national property, fight against deficiencies and theft and suppress other attempts at the appropriation of material values by unconscientious persons. It requires especial vigilance and courage. The book-keeper is one of the most honoured members of every labour collective.

Strict accounting and control 'for measures of labour and measures of consumption' is obligatory and necessary in our epoch in every business and on an all-state scale. With the approach of the higher phase of communist society, the responsibilities of the book-keeper do not disappear. Although his labour is easier through the application of computing machines, the tasks of analysis connected with striving to achieve the best results for the least expenditure in full measure are retained.

Source: N.R. Veitsman, V.I. Lenin o lyudyakh uchetnoi professii, Bukhgalterskii uchet, 1978, No. 11, pp. 12-15.

NOTES

1. overseer (nadsmotrshchik) – the term is used by Lenin as an omnibus appellation to embrace foremen, charge-hands, gangers, leading hands, supervisors and other persons engaged in the immediate direction or oversight of the physical labour of other workers. The word nudsmotrshchik also translates as slave-driver and, later in the article, Veitsman is at pains to draw a contrast between Soviet and capitalist overseers.
2. book-keeper (bughgalter) – although the term book-keeper wears a derogatory air in modern usage, nevertheless it is this term, and not the more exalted word of accountant that conveys the sense of Lenin's argument. Lenin's views on the relatively humble nature of accounting are not as quixotic as might appear at first sight. Until very recent times his view corresponded to the conventional wisdom of the British civil service. Accountants, if recruited at all, were recruited into the administrative, and not the scientific and professional grades of the service. The 'accounting office' was merely an administrative civil servant fulfilling a particular spell of duty by performing accounting tasks, the opinion being that a reasonably competent civil servant could readily master the requirements of the post.
3. technician (tekhnik) – the term being used by Lenin to encompass 'technologist'. Tekhnolog is a term of recent origin.

This article is followed by a lengthy comment by Derek Bailey, which well illustrates the strengths of Derek's approach, and his breadth of understanding of the Soviet context. In this comment he dissects the propositions of the article itself, as follows:

COMMENT

As has been indicated on a previous occasion, Professor N.R. Veitsman, a doyen of the Soviet accounting academic world, has been much concerned with the scope of the accounting function and the standing of accounting workers in the USSR. In the current article he returns to the theme. But, since the article refers to material (i.e. the speeches and writings of Lenin) with which the majority of accounting specialists who read Bukhgalterskii uchet may be presumed to be familiar, it may be useful to speculate upon the purpose of the article and the nature of the audience to whom it is addressed.

It is a curious article in which a placatory note in struck. The author adopts a defensive posture in testifying to the credentials and bona fides of Soviet accounting workers. To do so he has quoted liberally from Lenin, for the article is not a summary or survey of Lenin's views on the role and position of accounting workers in Soviet society. Rather, Lenin is called upon to bear witness for the defence of book-keepers. Professor Veitsman in summoning the support of Lenin, had made a judicious selection of seemingly favourable quotations. But, it is a slippery and hazardous strategy to employ and capable of rebounding to the confounding of its user. Although Lenin placed considerable importance upon the exercise of the accounting and control function in Soviet society, he did not simultaneously place an equal importance upon the accounting personnel. Lenin considered that the development of large scale industry under capitalism had led to the simplification of the managerial functions. In particular, accounting had reduced to the four rules of

arithmetic and the issuing of receipts, all tasks 'within the level of competence of townspeople in general'. For Lenin, accounting required neither specialized knowledge for its understanding nor, in its exercise, the skills of a specialist (i.e. technician, in the language of the article). Under socialism the role of state officials would be reduced 'to that of simply carrying out our instruction as responsible, revocable, modestly paid "foremen and book-keepers"'. (Professor Veitsman has trimmed the quotations used to remove the references to modest remuneration). Lenin visualized 'the gradual "withering away" of all bureaucracy' with the consequence that 'the function of accounting and control' becoming more and more simple – will be performed by each in turn, will then become a habit and will finally die out as the special functions of a special section of the population'. That is, with the development of communism such accounting workers as remained were destined to disappear.

In the article, Professor Veitsman asserts to the contrary: 'With the approach of the higher phase of communist society the responsibilities of the book-keeper do not disappear'.

In opposition to this assertion there may well be economists and other specialists arguing for a diminution in the number of accounting personnel and a dilution of the work of the accounting office. Since the Economic Reform (1965) the increase in the number of managerial specialists employed by industrial enterprises and the spread of machine accounting stations and machine accounting bureaux serving several enterprises have tended to erode the standing of the enterprise chief book-keeper. With the gradual extensions of the ASUPs the work of the enterprise accounting office contracts. If, as is imagined by the creators of the ASUPs, the data on current operational performance is gathered and, at the workplace, fed into the computerized data processing system which processes the data so as to produce the accounting returns and a statistical analysis of those returns, what tasks will be left for the accounting office? In other words, the book-keepers will have disappeared although not in the way Lenin visualized. The simplification and standardization of tasks, their reduction to a repetitively executed routine, is but the prelude to their mechanization and to a redundancy in erstwhile cherished skills.

However, Professor Veitsman introduces another line of defence for Soviet book-keepers: loyalty to the Soviet state:- 'We know that the mass of book-keepers unreservedly went over to the side of the people' (i.e. following the October Revolution). Further, and perhaps surprisingly:- 'Among the saboteurs were almost no accounting workers'. Has it been suggested that accounting workers are peculiarly susceptible to bourgeois ideology? Professor Veitsman's statement may be factually correct but the contention implied is specious. Throughout the nineteen-twenties the leaders of Russian accounting thought were at cross-purposes with the Soviet regime.

Since 1924 the rights and responsibilities of enterprise book-keepers have been prescribed officially by regulation. These regulations were revised last in 1964 (i.e. prior to the introduction of the Economic Reforms):

'Since the ratification of the regulations on the chief book-keeper changes have occurred in industry – the formation of branch ministries, in enterprises the post of deputy director for economic questions (chief economist) has been established, department and bureaux of economic analysis have been created. All these must change somewhat the form and responsibilities of the book-keeper … Now is the time to re-examine the regulations on the chief book-keeper'.[1]

Has the emergence of the enterprise economist weakened the position of the enterprise book-keeper? Is there a groundswell of support for a revision and a curtailment of the role of the chief book-keeper? Given the difficulties experienced in recruiting

accounting workers and in raising the level of their technical competence, the question may well have been raised: to what extent are the tasks currently performed by the chief book-keeper and the accounting personnel necessary? Proposals for a degrading of the accounting posts may have been mooted. More corrosive would be criticism of the enterprise book-keepers buttressed by ideological arguments. Assuming such deliberations have been taking place, Professor Veitsman's article would seem to be a public contribution in defence of the status quo for enterprise book-keepers and an attempted rebutal of arguments grounded in ideology.

Reference

1 Letter in Ekonomicheskaya gazeta, 1979, No.5, p. 6.

So once again we come to the issue of the downgrading of the book-keeping role. We attempt in the concluding section of this paper to draw the strands together in relation to this, both up to 1983 when the Bulletin seems to have ceased to appear, and briefly but importantly from 1983 to date.

SYNTHESIS, ANALYSIS AND CONCLUSIONS

As we indicated in our introduction, it has been our intention as far as possible to let the original documents from the 1970s tell their own story. Nevertheless we attempt here to highlight a few key issues and, more particularly, implications for current and future developments.

For us, one of the most fascinating aspects of the eleven years of the Bulletin's coverage concerns the role of the Soviet bookkeeper. Ample quotations have been given to suggest a schizophrenic, almost Janus-like status. Several strands emerge. The bookkeeper was widely seen as operating on behalf of the State (which of course meant the Party) in the eyes of the system, or, perhaps more happily, on behalf of the community as a whole. The lovely phrase "the guardian of the nation's kopeks" occurs more than once. This almost implies that the bookkeeper, acting effectively alone, was supposed to provide the stewardship function traditionally implied by the whole Western financial reporting and auditing apparatus (the State, of course, being the only provider of resources to the "stewards", i.e. the managers).

But it is clearly indicated several times through our text that the bookkeeper was widely expected to go further. S(he) was expected to report any wrongdoing by superiors within the entity to the Party/State. The bookkeeper was the guardian of the rules made by the State, not the guardian of managerial structure, procedures or decisions. Since in day-to-day terms the bookkeeper was subservient to the manager in every respect, this obviously created major difficulties and tensions.

Linked to this point, but also significant in its own right, is the whole question of the role and status of the bookkeeper within the dynamic internal structure of the organization. The message seems to be that up until the mid 1960s, the bookkeeper was typically expected to provide all necessary financial assistance to the manager as regards those finance-related aspects of entity management which were within the

influence of the manager – although of course this area of influence would be a great deal less than in any Western capitalist context. This implies perhaps a certain amount of qualitative consideration and advice above and beyond the mechanistic quantitative recording. But by the mid 1970s this role has been largely lost, being clearly usurped by the "chief economist". The bookkeeper had indeed become the passive recorder of the quantitative situation.

The article in Pravda, given considerable attention by Derek and in this paper, is particularly interesting in this context. It could be presented as an attempt to halt or reverse this downward trend in the role and status of the bookkeeper, with its implications of a need to "appraise correctly", and to give more "attention to analysis". It could also be interpreted as a cry of concern about the importance of the bookkeeper to the State, the Party and the Plan, rather than to the Enterprise. We recall Derek's earlier suggestion that one should perhaps consider the role of an enterprise as more akin to a subsidiary or branch of a large organization, where the complete industry sector is akin to "the organization". It might follow, therefore, that "correct appraisal" should be judged in relation to the central State Plans and not to economic efficiency. The issue is worthy of further exploration.

It is interesting to try to relate this practical phenomenon with Derek's exposition of the role of Uchet, and the ideas promulgated by Lenin. Uchet is a broad concept, of which bookkeeping is a subset. The statisticheskii uchet is a superior subset, relating to the setting and monitoring of plans, i.e., to management and control. It seems to be this latter element which, in the years after 1965, increasingly become within the ambit of the "chief economist". Considerable emphasis has been placed on Lenin's twin concepts of accounting and control (uchet and kontrol'), which Derek suggests could together be rendered as "the measurement, recording and verification of economic activities". Control is far removed from a static and passive recording function, and since we have already seen that uchet, in its totality, is itself a great deal wider, and more intellectually and qualitatively demanding, than bookkeeping per se, it obviously follows that uchet and kontrol, seen as a single combined conglomerate concept, represents an intellectually demanding notion far removed from the mere recorder of monetary numbers.

The explicit suggestion that bookkeepers are part of the "service work", clerical function, that economists are part of the "intellectual work" economic intellegentsia, and that the former exists to support both the latter and the directly productive manual workers (Derek uses the word "parasitic"), is not only consistent with this unequal relationship, but seems to explain, and perhaps in Marxist terms even justify, the low esteem of bookkeepers and the pejorative perception of them. It is perhaps in this sense that Lenin believed that the functions of accounting, as a separate role, would largely disappear as Communist Society developed into its later, higher order stages. Whatever, history has surely given an unequivocal answer to Derek's question of 1973: has Soviet accounting contributed to the 'winning of the battle for democracy', or has it served to reinforce bureaucratic tendencies?

There are clear implications regarding the approximate position of the Soviet book-keeper on the vector of possibilities towards (or away from) a full professionalism

position. Self-regulation, and the ability to self-define social realities (such as entity performance measures) connected with their position, are inevitably minimal by definition within the Soviet system. On the other hand, a clearly distinct set of "expert skills and services" is required, and the need for this is demonstrably supported by "the state". But it seems that the parameters of the necessary skill set changed between the 1920s and the 1970s. More specifically the involvement of the book-keeper as part of the "branch management team" largely disappeared with the rise in importance of the "chief economist" from about 1965. The scope of the expertise of the Soviet book-keeper was reduced.

This point links in with the extent to which the book-keeping cadre achieved "privileged social status". It is surely clear that in essence, it failed dismally in this respect. This failure can be foreseen by consideration of the inclusion of the book-keeping position in the ("parasitical") "service work" grouping, and not in the "intellectual work" grouping achieved by economists. The failure is amply demonstrated in practice in the 1970s by the "scenes from life" quotations from the workface of "the Cinderella profession", a number of which are given in this paper.

This is not the place to address the whole phenomenon of the collapse of Soviet society, or of the possible relationship between bureaucratic tendencies and that collapse. It is only the implication of all the forgoing for the development of accounting and reporting in the former Soviet countries in the twenty-first century, International Accounting Standards Board influences and all, that concern us here.

We have shown that the role and position of the Soviet bookkeeper was far removed from concepts of professionalism commonly associated with the accounting function in the capitalist West, and indeed that between the early 1960s and the early 1980s that role and position suffered a further decline. We have also pointed out the long-standing tradition of following instructions (such as the chart of accounts). The corollary of this is perhaps the assumption by the Ministry of Finance that its role, and indeed prerogative, is to issue such instructions, and to expect them to be followed. Changes in attitude on both "sides" will be necessary if the professionalism and independence required of an IFRS-type regulatory regime is to be successfully introduced. The possibility that "an IFRS-type regulatory regime" would continue to need significant adaptation or qualification in order to operate successfully in the ex-Soviet context should also be seriously considered. Understanding of deep-seated cultural differences is a two-way process.

At one level, these ex-Soviet bookkeepers were the mass infantry who, in the 1990s, were put into battle to "guard the nation's kopeks" against the highly educated, highly sophisticated and highly connected ex-apparatchiks who emerged as owners and controllers of vast swathes of ex-Soviet industry and commerce. It was hardly an equal struggle, and the outcome was surely inevitable. At a different level, that of moves towards harmonisation of role and regulation in general, and of moves towards IASB requirements more specifically, the past again surely explains and predicts the present. In this sense, we suggest, this paper provides a valuable input into current studies and future appraisals.

APPENDIX I

Derek Bailey 1929 – 2002: A Brief Biography

Derek Thomas Bailey

Derek Bailey was born in London on 19 April 1929, the elder of two boys. Derek's father worked on the railways and Derek's early career reflects this working class background. He began as a clerk in the wages department, studied accountancy at night classes at Regent St Polytechnic, studied part-time for a University of London degree and a Master's degree at Imperial, eventually qualifying professionally with CIMA. He met his wife Joan, who was a staff nurse, at the sanatorium at which he was recovering from TB. They married in 1956 and honeymooned in Rome.

It was at the University of Birmingham that his academic career really began and here that he did the work for which he was best known. He was attached to (or part of) the Centre for Russian and Eastern European Studies (CREES) and hence learned to read and understand Russian but it was through a reading course for social scientists rather than a course in Russian conversation or language purely defined (and I gathered from Derek personally that his only attempt to give a lecture in Russian in the Soviet Union was not successful and only ever attempted once). His career at Birmingham ended abruptly with a move to Thames Valley University at Ealing about 1988/89.

It was at TVU that our paths first crossed and we shared an office for a term before I moved to Sheffield. This formed the initial basis of our future co-operation but at this early time I only helped out with his research in a minor way by translating the odd letter from Polish into English. By the time I came to Birmingham in September 1992, we were both involved in our ICAEW funded research project and travelling to Poland, and Kraków in particular, on a regular basis. I once worked out that out of the previous three years (about 1992-95) we had spent over three months in Poland together. This we managed by stretching out the ICAEW research funds by living cheaply in guest lecturer accommodation on Rakowicka Street owned by the Kraków Academy of Economics. We knew it was accommodation for guests because we did not have to share a room. The accommodation was dry and warm but had few amenities. We always had to remember to bring our own bathplugs for the hand basins. There was a poorly equipped kitchen in which we used to make breakfast which usually consisted of scrambled eggs but not even my poor cooking skills could spoil the taste of the fresh eggs bought in the local corner shop. The bread knife (needed to slice the Polish rye bread thinly) kept disappearing from the kitchen between trips and so Derek started packing a large bread knife in his suitcase as well as his very useful small kettle, not practices which would be advisable these days. We used the kitchen table to write our academic papers on in between the field trips to privatised enterprises.

We also gave papers at Polish academic conferences (Kraków, Warsaw and Gdańsk at least) and at one Derek gave the introduction in the Polish language. This had been achieved by me first dictating it onto tape and Derek practising the pronunciation while listening to it playing on his car's tape player while driving. His effort was greeted with spontaneous applause from the Polish audience.

Derek's personal experience of accounting under socialism in the USSR and the satellite states made him very sceptical about some of the claims that were being made about the rapid progress of accounting reform in the transition countries and this doubt increased as he progressed with his Baltic States project funded by the EU. The contrasts between this project and our experiences of accounting reform in Poland were very useful. The Baltic States project involved a number of sacrifices which Derek nevertheless willingly took on, including a trip made in winter in the early 1990s when there was no oil for heating and the whole time indoors was spent dressed in an overcoat, woolly hat and gloves. Experiences like this put the necessity for accounting reform in perspective.

Derek was one of the most patient, modest and unassuming men I have ever met and he is remembered for this as much as for his invaluable help and experience as a research colleague. He would accompany me on shopping trips to the old town in Kraków even when I had warned him that the destination was a toyshop rather than a bookshop. I once asked his advice on which colour of wooden dragon figure to buy - red, green or blue? Derek's reply was professorially authoritative: "Either red or green, Marek. Dragons are not blue."

Derek died on 23 September 2002 after a short illness. He did not follow any organised religion but was a member of the Thomas Paine Society and was given a Humanist funeral.

Marek Schroeder

APPENDIX II

David Alexander, Marek Schroeder and Derek Bailey, 1 July, 1995. The wine-waiter (the only person whose trousers seem to be the right length) is Peter Walton.