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# **Comprehending the relationship between a company and its accountants, 1894-1967: Evaluating and accommodating Foucauldian and other perspectives**

## **Abstract**

This paper analyses the relationship between a Scottish manufacturing company and the accountancy firm which provided it with professional services across its existence (1894-1967). It examines the professional roles fulfilled by the accountants, the work done, and the fee income derived from it, in the context of the company's history. It emphasizes the importance of the services provided by accountancy firms for unlisted companies in understanding the development of professional accountancy in the UK. The material presented is used to test three different explanations of the UK accountancy profession's rise which relate to the auditing function and has implications for historical methodology and epistemologies. The explanations explored may be categorised as economic rationalist, Foucauldian and jurisdictional points of view.

## **Keywords**

accounting profession, auditing, discursive practices, economic rationalism, Foucauldian discourse, professional jurisdiction

## **Introduction**

The purpose of this paper is to examine the interactions between a medium sized Scottish manufacturing company and a single professional practice (accountancy firm) of Scottish chartered accountants (CA), over a 73-year period.

The company concerned is Anderson & Robertson Ltd (A&R), a firm of silk throwsters (yarn and thread makers) which traded from factories in Glasgow, Motherwell and Sussex between the years 1894 and 1964, employing around 300 people for most of its existence. After several years of business difficulties, A&R entered into voluntary liquidation in 1964, its affairs finally being wound up in 1967 (Ding et al, 2017).

At every stage of its existence, including its winding up, it was served by a single Glasgow-based firm of Scottish CAs, Thomson, Jackson, Gourlay and Taylor (TJGT), whose successor firms eventually became incorporated in Grant Thornton in 1986. Individual partners and employees of TJGT fulfilled roles within A&R or provided it with professional services, often simultaneously (Stewart, 1977). These included responsibility for the firm's audit, the role of company secretary, membership of the board of directors and, finally, as the firm's liquidators. From the 1950's, in addition, a board member of A&R, a second-generation director of one of the firm's three founding families, was himself a Scottish CA, trained in the auditor's practice, becoming A&R's last managing director.

This paper examines three explanations for the development of the accountancy profession in the United Kingdom (UK) which involve factors that are relevant to the relationship between A&R and TJGT. One of these explanations, that of Matthews et al. (1998), in *The Priesthood of Industry* employs an 'economic rationalist' approach 'wherein accounting developments are explained in terms of rational, cost-beneficial behaviour' (Fleischman and Radcliffe, 2003: 13). The more complex explanation of Maltby (1999) argues that the late-19th century auditing profession created a financially rewarding 'jurisdiction' for itself in a changing audit services market, going on to discuss how this was achieved.

The third explanation of the developing relationship between professional accountancy firms and their clients that might have a bearing on an understanding of A&R and TJGT's connections involves a somewhat different epistemology, utilizing a Foucault-based perspective (McKinstry, 2014). This asserts that a profession's reputation, social status and economic influence may well result from deliberate initiatives involving the appropriation of power through the monopolisation of knowledge and associated political strategies (Foucault, 1980).

The present study examines how A&R engaged with the expanding market for professional services, and how and why TJGT reciprocated by providing auditing and other services which A&R needed, with reference to the above three explanations.

A&R's historical records, kept at Glasgow University Business Archives (UGD 029), include a full run of board minutes and related shareholder documentation, together with an almost complete series of annual accounts. There are also some sales and production records, various correspondence and reports, advertising materials, scrap books and a brief published article on the firm's history backed up by directors' manuscript notes. The progress of the relationship between the firm and its accountants can readily be traced from what survives.

Although A&R and TJGT were firms based in Scotland, they both operated in the wider UK market and were subject to the same legislation relating to companies and auditing across the period and to similar contextual forces. Our analysis is therefore broadly applicable to the UK.

The paper proceeds with a literature review, followed by a historical background of A&R, then of TJGT. The interactions between the two firms are next studied, based on an assessment of each of the three different explanations for the emergence of the accountancy profession in the UK and how it is relevant to an understanding of the A&R/TJGT relationship. The merits of each explanation are then considered, as well as how and to what

extent their approaches may be reconciled. The paper concludes with some recommendations for future research.

## **Literature review**

One of the earliest histories of the accountancy profession is Brown's (1905) international review up to that date, which includes Scotland and England. A history of the Institute of Chartered Accountants of Scotland (ICAS, 1954) and a later one by Stewart's (1977) chronicle progress to the dates of writing but are not detailed. Two works by Jones, one an economic history of the UK profession (1981) and one a history of Price Waterhouse (1995), terminate at later dates. While all the works cited above contain some useful background materials, none are sufficiently detailed for the purposes of our study.

The academic literature on British accountancy emanating from accounting historians over recent decades tends to focus on specialised areas of interest which do not correspond closely with the subject matter of this paper or which are not appropriate in other ways. For example, Edwards's (1989) history of financial accounting combines an account of legal and technical developments in accountancy with a brief sketch of a developing profession. Walker and Shackleton (1995) concentrate on the unfolding professionalisation process within the Scottish and British accountancy profession (see also Walker, 1991). The few case studies, which examine the fee income and operation of accountancy firms, such as Cornwell (1993) or Walker (1993) are for earlier periods and do not shed light on their detailed interrelations with customers.

However, the three accounts of the UK profession's growth which are analysed below are directly pertinent to our study. One of these has an economic rationalist explanation, the

second focuses on the creation of a professional jurisdiction by auditors while the third is Foucauldian in derivation.

*Matthews, Anderson and Edwards*

Matthews et al. (1998) give an account of the rise to predominance of professional accountants in British management, from the period before professionalization until recent times. This includes a study of the rise of the accountancy profession and the progress of accountants in industry up to 1914. The situation from 1914 to 1939 is next reviewed, then after 1945.

While the study relies on published material, especially Jones's (1981) survey of the profession and his history of *Price Waterhouse* (1995), some original statistics are presented which show the growth of numbers of qualified accountants holding company management roles, from accountant to company secretary through to director and chairman, all revealing expansion across the period from 1891 to 1991. The book also contains short individual case studies of accountants who attained high positions in business and industry (Matthews, Anderson and Edwards, 1998).

Matthews et al. (1998: vi) offer their own 'predilection' in explaining the rise of accountants in management, 'which is that of the economic determinist', meaning that the position of accountants in British society has largely been brought about by the needs of an expanding and developing UK economy and is thus an economic rationalist position. They have linked this argument to the dearth of formal management training in Britain, which they stated was compensated for by the examinations system which produced professionally qualified accountants, resulting in their recruitment to key business positions.

The present study is particularly interested in what Matthews et al. (1998) have to say about the development of the auditing side of the profession. There are also implications from

the present study for these authors' understandings of why so many accountants have done so well in positions outside the auditing profession.

### *Maltby*

Maltby (1999) notes at the outset of her paper that the professions, including accountancy 'fitted into the new network of economic entities' that emerged in the 19<sup>th</sup> century (Maltby, 1999: 32). She first states that the 'agency problem', the need to independently check the intrusions of management by owners of firms, gave rise to a growing demand for audit, as capitalism developed. Secondly, she noted that the legal framework increasingly required audits to be done and that the role of auditors thus largely arose from changes in the law, although Maltby (1999) acknowledges that changes in the law could arise from a growing demand for audit. Following Larsson (1977) and Abbott (1988), Maltby (1999) notes that accountants in a changing market place might be able to stimulate demand for audit services, as part of creating for themselves a 'professional jurisdiction', finding evidence to suggest that this is what occurred from the late-19<sup>th</sup> century onwards. We have thus classified Maltby's (1999) analysis for convenience as 'jurisdictional' in focus. Maltby (1999) also notes that the demand for auditing caused the profession to grow as auditing business was supplemented by other jurisdiction-enhancing services.

As context to these arguments, Maltby's (1999) paper points out that, while the 1844 Joint Stock Companies Act (7&8 Vict., C.110) called for an audited set of accounts, the 1856 Joint Stock Companies Act (19&20 Vict., C.47) only required discretionary provision of accounts, a situation that prevailed until the Companies Act of 1900 (63&64 Vict., C.48), when an audited balance sheet had to be presented to shareholders. There was no statutory requirement in this legislation for the auditor to hold a professional qualification. Despite this, an ever-

increasing number of limited company audits were performed by professional accountants, such that audit fees had become the dominant source of income by 1905 (Edwards, 1989).

Maltby (1999) shows that the English CA profession, in the closing years of the 19<sup>th</sup> century, began to publicise in its professional journal, *The Accountant*, what it was considered to be prudent and sound accounting principles, which (if followed) would avoid the overstatement of profits. By employing professional accountants as auditors, firms would make it easier to resist demands for larger dividend pay-outs from shareholders, which might diminish capital. Notable accountants, such as Lawrence Dicksee and Francis Pixley stated similar principles in textbooks and lectures (for example, see *The Accountant*, 9 January 1897: 48; Pixley, 1897).

Relying to some extent on the fact that the social and educational backgrounds of accountants enabled them to network with company directors, the profession, according to Maltby (1999), presented itself as a cadre of ‘business advisors’, its advisory functions being delivered by means of auditing, which allowed the accountant to become ‘a sort of guide, philosopher and friend’ (Maltby, 1999: 29-50). Maltby (1999) is of the view that the profession succeeded in persuading businesses this was the case, hence its success in taking over the rump of auditing work by the early years of the 20<sup>th</sup> century. By this means it consciously created a market for its services, which continued to operate in the same manner and with the same ‘main features’ that Maltby (1999: 47) defined across the period covered by the study. Indeed, the influence of the accountancy profession was strengthened with the passing of the Companies Act 1948 (11&12 Geo.6, C.38), which made it mandatory for auditors to possess professional accountancy qualifications.

*A Foucauldian Approach: McKinstry*

McKinstry's recent paper (2014) explains the influence of a discourse, as propounded by Foucault, on the progress of the ICAS from its beginnings to recent times. Foucault's general approach was to 'problematize' accounts of the emergence of phenomena, to 'place the register of the production of truth and falsehood at the heart of historical analysis and political debate' (Castel, 1994: 238). He emphasised the role of 'discourse' in the production of 'truth' in history. Foucault (1980) referred to 'discourse' in a special sense. He used the term to describe patterns or aggregations of communications regarding a field of knowledge or professional expertise, which establishes or reinforces the power of those behind them, in the eyes of clients and public. In this manner Foucault (1980) identified the crucial, dependent relationship between power and knowledge, which he referred to as 'power/knowledge'. As he put it, 'these relations of power cannot... be established... without the production, accumulation, circulation and functioning of a discourse' (Foucault, 1980: 93), thus McKinstry (2014) problematized earlier accounts of the development of the accounting profession that exclude the dimension of power from the analysis.

Foucault gave as an example the profession of medicine, which he described as 'a body of knowledge and practice... an authority recognized by public opinion, the law and government'. Medicine became the major authority in matters related to health, such as disease and its treatment, controlling its classification and terminology and as Foucault points out, appropriating the power to identify and classify what was 'madness' and what was not (Foucault, 1972: 41-42, in McKinstry, 2014). McKinstry (2014) argues, based on existing detailed historical studies of the history of the Scottish CA profession, that it had created and sustained a discourse such that it became the dominant player in Scottish accountancy across the second half of the 19<sup>th</sup> century and beyond. McKinstry's (2014) paper points out that the embryonic Edinburgh profession's early defence of its monopoly of bankruptcy work, through a series of public arguments which culminated in the foundation of a new

professional body and the removal of the threat to its lucrative business, was a major triumph of discourse, based on claims of superior skill. Equally important was the Institute's defence of its right to exclusive use of the term 'chartered accountant' and the abbreviation CA around the turn of the 20<sup>th</sup> century. The Institute had, by this time, established, in Foucault's terms, a reputation in the minds of the public and with its status enshrined in the law (McKinstry, 2014).

Next, McKinstry (2014) points out that discourse also depends on 'discursive practice', which is quite separate from the verbal aspect of discourse that links knowledge and power (Foucault, 1972: 49). This is soon clarified with reference again to the medical profession. Foucault (1972: 51) continues that 'The status of doctor is generally a rather special one in all forms of society.... Medical statements cannot come from anybody... [they] cannot be dissociated from the statutorily defined person who has the right to make them'. But status also depends on 'the institutional siting, the situation and... in the form of institutional relation that the doctor may have with the hospitalised patient or with his private practice'. This is how 'medical discourse... is articulated on practices that are external to it, and which are not themselves of a discursive order' (Foucault 1995: 164). Thus, legal authority, role hegemony, physical presence and place reinforce power through discursive practices.

Also important in the production of a discourse by the young accounting profession was the setting of examinations (McKinstry, 2014), which strengthened the Scottish CAs' claimed monopoly of authoritative knowledge. In this, McKinstry (2014) follows Hoskin and Macve (1986: 133), who discuss the 'autonomy of control' over examinations progressively gained in Britain by the nascent professional accounting bodies over the closing decades of the 19<sup>th</sup> century, in order to establish a 'monopoly over competence' and establish qualification as a discursive practice. In fact, the young ICAS in Edinburgh, the Society of Accountants in Edinburgh, was setting professional examinations by the early 1860s.

The CAs did not fail to tell their trainees during their in-house accountancy education that their qualification was the best in the world, which they in turn publicised widely in later years. This came to be believed throughout Scottish society. McKinstry (2014) characterizes the use of the letters CA, the conducting of examinations and the carrying out of audits as discursive practices, which Foucault (1972) points out, by their very happening, convey power without the need for words. They are simultaneously enforcers and signs of power.

The paper next deals with the discourse emanating from the between-the-wars and post-World War II periods, at which time the Institute's ambitions centred around distancing itself qualitatively from other accountancy professional bodies, which had by this time developed into significant competitors. A key moment in the Institute's history occurred in 1969 after the failure of a merger attempt between the main British accountancy professional bodies. The Scottish Institute determined 'to ensure the predominance of the Scottish Institute among the professional societies of accountants throughout the world', which was to be achieved by 'aggressively' making the Institute 'demonstrably intellectual', while its predominance was to be achieved by attracting men and women of the highest possible calibre to the Institute (McKinstry, 2014: 88).

Hook (2007: 114), in an examination of Foucault's teachings which aims to study the link between power and human psychology, also observes that what is important in the analysis of power is 'the notion of discursive warrants, that is, an awareness of how certain locations and roles put the speaker into a privileged position of knowledge or authority'. Hook (2007) is here arguing for an approach which analyses 'social action and interaction' in the formation and expression of power and its psychological impact. This is the same argument made by Hoskin (1998) in relation to management accounting practices, that to understand Foucault's

conception of the operation of power, one must examine ‘what was done’ as a domain of analysis, as part of the epistemology.

The present paper argues that, in the case of professional accountants, the actions and interactions which matter are in the area of examinations (in this case those undertaken by accountants in order to qualify as CAs) and when accountants in turn examine (audit) the account books and records of firms. These acts have a special significance in understanding the relations between accountants and their clients and how power and status are conveyed or perceived as discursive practices (McKinstry, 2014). The, usually visible, presence of auditors in the offices of auditees at both junior and senior levels has not been properly studied, but, as one of the authors of this paper recalls, the auditing process has a considerable psychological impact on those affected. It involves the desire that the accounts should be found in order or that, where necessary, the auditors, whose power, skills and intellect are respected, should be persuaded that is the case, an area in which moral dilemmas can arise. It is also a situation in which auditors and auditees have opportunities to develop relations which lead to new business between the two parties.

### *Summary*

We have chosen to utilise the above three explanations for our explanation of the relationship between TJGT and A&R, as they all involve analysis of the auditing function and its implications for the acquisition of other accountancy work, on which there is much evidence in the archive that was available to us. This is rich in material relating to A&R and the services provided to it by TJGT.

We pause to consider some epistemological aspects of the three analyses of the development of the accounting profession, outlined above, which will be tested against our account of A&R’s history. Matthews et al. (1998) and Maltby (1999) both offer hypotheses

concerning the development of accounting. A hypothesis may be defined as ‘a supposition or proposed explanation made on the basis of limited evidence as a starting point for further investigation’ (Oxford Dictionary, 2018). Indeed, Matthews et al. (1998: vi) state that their analysis of the accountancy profession is based on a ‘predilection’. We are therefore looking for evidence, in the A&R case, which either provides further support for each of these two positions or which suggests they should be modified or are untenable.

McKinstry’s (2014) Foucauldian account of the development of the Scottish CA profession is also a hypothesis. As Burrell noted (1998: 15), Foucault did not create a ‘grand theoretical edifice’, but rather a ‘mass of detailed analysis’ and ‘substituted tentative hypotheses which invite, indeed beg for, heated discussion and debate’. Furthermore, Hook (2001: 521) has observed that ‘there exists no strictly Foucauldian method of analysing discourse’. As with the economic rationalist and jurisdictional interpretations we deal with here, it is a matter of weighing the evidence and interpreting it in the light of available, relevant facts.

Economic rationalist, jurisdictional and Foucauldian points of view have been juxtaposed in this study. In the past, Foucault-inspired accounts were deemed to be part of ‘the new accounting history’ as defined by Miller et al (1991: 396) This term was used to describe accounting histories derived from the works of postmodern philosophers and others such as Marx, which had proliferated from the 1980s onwards. These were distinguished from the ‘traditional’, archival-based approach which was widespread beforehand. The new approach came to be disputed by traditional practitioners such as Tyson (1993), who argued against the generalised, Foucauldian-based interpretation of the development of management accounting proposed by Hoskin and Macve (1988), based on the Springfield Armoury case. Napier (2009: 31) noted that in more recent years, the debate between the two camps of historians had reached a stage of ‘rapprochement’, wherein historians from the two sides (with

exceptions) now saw their positions as complementary. The present study contributes to this rapprochement, utilising both approaches together to show how they complement each other.

Our short business history of A&R is next given, followed by a brief history of TJGT. Following this, our contextual account of the developing business relationship between the two firms is outlined. Since the analysis of the developing relationship concerns hypotheses around the market relationship between the two firms, which involves claims concerning the benefits from using professional accountants, we include an analysis of fee income of TJGT, plus an assessment of the usefulness of the services rendered from A&R. An attempt has also been made to touch on social relationships, which play a part in several of the hypotheses being tested. This forms a basis for the analysis and discussion that follows.

### **Anderson and Robertson Ltd (A&R)**

The firm of A&R (Ding et al, 2017) was descended from the business of Morris Pollok, who built the first Scottish mill to produce silk thread in Govan, Glasgow, in 1820 to supply the local textile industry. George Robertson left Pollok in 1876, being joined by William Anderson in a new silk thread business in 1877 in a factory which was also in Govan. The Pollok business failed shortly after 1877, and A&R ended up operating the original Morris Pollok Mill. A&R also started a mill in Motherwell in 1890, taking over an existing mill in Glemsford, Surrey, a few years later. The firm became a limited company in 1895. The Govan premises were consolidated in 1902. The evidence shows that, around these earlier decades, the firm carried out some silk fabric manufacture in its various premises, as the trade in silk thread fluctuated (UGD 029/11/5).

The firm started to produce silk thread for the electrical wire winding trade from 1908 onwards, but a major change in business occurred in 1921 to manufacture thread for ladies' silk stockings until the 1930s. The firm therefore focussed entirely on silk thread production,

rationalising its premises in the late 1930s, at its Motherwell site, which was expanded while Glemsford and Govan were shut down (UGD 029/11/5).

After World War II, the firm continued on its chosen path until 1951, when a development that had started in the United States in the war years, the production of ladies' stockings from nylon, arrived in the UK. A&R was forced to move over to nylon thread production or lose its main hosiery market. During the 1950s, technological change in the textile industry caused the firm to move over progressively to the production of synthetic yarns for the weaving of net curtain and other markets. The large textile combines at this time, as well as controlling technological innovation in the industry, which required vast resources, were also producing thread and textiles in-house, often absorbing producer companies and causing industry concentration.

At one point in the 1950s, processes of thread production which did not involve the use of twisting machinery at all, were devised for some synthetic materials. Since its outset, A&R had always produced twisted yarns, which required a separate process. By the end of the 1950s, A&R found itself in a market that was becoming more difficult, with prices dropping and reducing numbers of customers buying its product. By this time, its production of silk thread for electrical wire winding was its only remaining silk product, accounting for only eight per cent of output (UGD 029/8). At this stage, the company began to make regular financial losses, going into voluntary liquidation in July 1964. The financial pathway leading to liquidation may be traced from Tables 1 and 2, below.

**Table 1.** A&R, profits after tax and returns on capital employed, 1896-1963 (n/a = not available).

<i>Year</i>	<i>PAT</i> <i>£000</i>	<i>RCE %</i>	<i>Year</i>	<i>PAT</i> <i>£000</i>	<i>RCE %</i>	<i>Year</i>	<i>PAT</i> <i>£000</i>	<i>RCE %</i>
<i>1896</i>	2.9	10.7	<i>1919</i>	2.9	8.4	<i>1942</i>	33.7	13.3

1897	(0.8)	(3.1)	1920	3.0	8.7	1943	29.0	10.5
1898	2.7	9.3	1921	3.3	9.3	1944	7.1	2.9
1899	2.1	6.9	1922	6.3	21.4	1945	8.8	3.6
1900	1.3	4.4	1923	11.0	23.9	1946	18.0	7.2
1901	0.8	2.6	1924	5.6	11.3	1947	15.5	6.7
1902	1.3	4.5	1925	5.3	9.7	1948	15.3	6.5
1903	1.9	6.5	1926	5.6	10.0	1949	13.5	5.3
1904	0.2	0.7	1927	5.7	9.4	1950	20.1	8.3
1905	0.8	3.6	1928	7.7	12.5	1951	12.9	5.3
1906	n/a	n/a	1929	12.9	19.1	1952	(4.9)	(2.3)
1907	n/a	n/a	1930	12.7	17.2	1953	6.9	3.4
1908	1.3	5.6	1931	13.0	16.1	1954	3.4	1.6
1909	n/a	n/a	1932	16.0	18.0	1955	11.2	5.2
1910	n/a	n/a	1933	24.3	23.1	1956	17.3	7.3
1911	n/a	n/a	1934	20.9	18.7	1957	(12.3)	(5.8)
1912	2.5	10.0	1935	33.4	25.3	1958	11.1	5.1
1913	3.0	12.0	1936	34.7	22.9	1959	6.1	2.9
1914	3.0	13.7	1937	51.4	28.2	1960	9.2	4.3
1915	1.0	3.9	1938	n/a	n/a	1961	(0.9)	(0.5)
1916	3.6	11.9	1939	33.0	16.5	1962	(1.9)	(1.0)
1917	4.1	12.6	1940	35.1	16.3	1963	(22.3)	(11.1)
1918	2.9	8.7	1941	37.5	16.0	1964	n/a	n/a

Source: UGD 029/5/1/1, UGD 029/5/3.

**Table 2.** Key financial figures at selected intervals (n/a = not available).

<i>Year</i>	<i>Share Capital £</i>	<i>Capital Employed £</i>	<i>Sales £</i>	<i>Dividend £</i>
1899	25,340	28,707	n/a	232
1901	25,340	28,708	n/a	233
1905	17,590	21,446	30,766	216
1912	17,590	24,619	27,500	528
1916	17,690	30,003	26,586	1,326
1920	26,760	34,544	92,677	2,676
1924	40,000	49,354	27,910	3,338
1928	40,000	61,114	80,967	4,000
1932	40,000	88,977	192,374	6,000
1937	80,000	182,229	298,076	20,000
1942	80,000	252,778	297,957	16,000
1946	80,000	250,336	220,074	10,000
1950	80,000	242,445	330,319	14,000
1954	80,000	205,416	184,145	4,000
1959	80,000	209,663	427,684	6,000
1960	80,000	212,835	618,185	6,000

Source: UGD 029/5/1/1, UGD 029/5/3.

Profits from 1899 to 1912 were modest but improved until the early 1920s as a result of the wire winding business, declining in the depression years of the 1920s. Throughout the 1930s and 1940s, including the war years, profits became and remained buoyant until the turn of the 1950s, substantially based on silk yarn production for the ladies' stockings market. The results for the 1950s reflected the firm's attempts to secure new markets, using new synthetic materials, in a context of rapid change, which led to the losses of the years up to 1964 and liquidation.

Share capital increased significantly in 1924 and 1937, when large increases in assets occurred to support the increased business, which witnessed rising sales figures. Dividend payments are highest for the most prosperous periods, which were in the 1930s and 1940s (UGD 029/5).

### **Thomson, Jackson, Gourlay and Taylor CA**

A short history of the firm of accountants, Jackson, Gourlay CA, which came to play such a large part in the life of A&R, now follows. The firm's origins can be traced to 1847, when the original partnership of James Thomson & Son began practicing. There were several changes until 1877 when Thomson, Jackson, Gourlay & Taylor (TJGT) was formed (Accountants' Magazine, 1924). James Thomson had worked for some time as a bookkeeper prior to 1847 when he is reported to have begun practicing as an accountant, under the name James Thomson & Son. He is said to have been 'active in promoting the formation of the Institute' (Accountants' Magazine, 1924: 314), namely, the Institute of Accountants and Actuaries in Glasgow, which, with its Edinburgh counterpart, the Society of Accountants in Edinburgh, were the first Scottish accountants entitled to use the designation CA, but there is

no information on any roles Thomson may have taken in the Institute. His firm was therefore the original one in the TJGT family tree.

Thomas Jackson worked as an accountant for James Thomson & Son for some time, until becoming partner in 1866 (*Accountants' Magazine*, 1924). Jackson joined the Institute of Accountants and Actuaries in Glasgow in 1877, the same year the firm became TJGT. He served as a member of the council several times until 1903 when he became president, a post he held for three years, which included the Jubilee of the Glasgow Institute gaining its Royal Charter, which took place in 1904. Similarly to his other partners, Jackson was very active in his local Church, serving as an elder and treasurer for over thirty years and becoming president of the Elders Association for two years.

John Gourlay had begun working as an accountant in Glasgow in 1862, was admitted as a member of the Institute in 1870, became a partner in TJGT in 1877 and remained active in business until shortly before his death in 1897. Gourlay was active on the council of the Institute. It is reported that he was a very active member in the United Presbyterian Church and took a 'leading part in connection with many of the benevolent and philanthropic institutions of his native city'. Gourlay's eldest son became a partner in the firm following his training but died in his mid-50s. Like his father, Andrew Gourlay gave 'many years of service to the Church and to benevolent societies' (*Accountants' Magazine*, 1897: 522).

James Taylor's obituary in *The Accountants' Magazine* (1924) reports that he was trained in his native Perthshire before coming to Glasgow to work with Messrs Thomson & Johnston, becoming partner in 1874. He is also recorded as having served as a Justice of the Peace. Taylor was, like his contemporaries, very active in his local church where he served as deacon, treasurer and elder. James's son David passed away in 1941, having been admitted to the Glasgow Institute 39 years earlier. Like his father he was a loyal churchman and reported to have been a keen supporter of good causes. David was followed into the profession by two

of his three sons, the eldest of whom became a partner in TJGT (*Accountants' Magazine*, 1924: 314).

Little is known of the firm's business, but it is clear it had a strong involvement in sequestrations. In 1880, it was recorded as winding up several firms, a Paisley shawl manufacturer and an ornamental carver and gilder (*Edinburgh Gazette*, 3 September 1880: 802), thus making it typical of many practices of the day.

The firm set up a London office in 1887 at 24 St Mary Axe, Stewart (1977) recording that it was one of the first Scottish accounting practices to have a presence in the capital. In 1968, it merged with Findlay, Kidston & Goff and A. G McBain & Co, then was absorbed into Thornton Baker in 1978. In 1986, Thornton Baker became part of Grant Thornton (Matthews et al., 1998).

Our short sketch reveals a picture of a firm deeply involved in the professionalization of accountancy in Glasgow and, committed to the Glasgow Institute, and which proudly used the designation CA at every turn. The firm's partners were clearly men of integrity as well as of ambition.

## **TJGT and A&R**

### *Involvements*

The first known involvements of TJGT in A&R relate to the firm's conversion to a limited company in 1895. Payne (1980) has demonstrated the scale on which the Victorian objection to the morality of limited companies (McQueen, 2009) had worn off in Scotland, as in the rest of the UK, by the 1890s. The rate of growth in numbers of companies existing rose from a few a year in the 1860s to 150 a year in 1895, when the total stood at 1,755, many of these conversions from long-standing partnerships (Payne, 1980). A&R was simply following a

much larger trend, perhaps persuaded of the benefits of limited liability by the numbers of business failures they had already witnessed in the textile trade. Indeed, their own business to a large extent had taken on the assets and customer base of one such failed business, Morris Pollok, as noted above.

A deed of sale was drawn up to pass ownership of the assets of A&R from the partnership of that name 'of the one part' to a limited company of the same name, A&R. In this deed, 'Andrew Murray Gourlay, Chartered Accountant, Glasgow' (of TJGT), acted 'on behalf of this Company, of the other part' and thus, in a sense, was written into the birth records of the new Limited Company, perhaps suggesting to the firm's directors TJGT's indispensability to the new firm and a quasi-legal status for TJGT (UGD 029/1/1). At the same time, TJGT certified in the firm's Prospectus (prepared by their lawyers) that, having examined the firm's books for the prior seven years, there had been an average profit of £3,174. As the firm did not intend to sell its shares to the public and only intended to allocate them to the former partners, the prospectus was in effect a legal formality required by legislation. The new company's Memorandum of Association listed seven subscribers having a single share each, one being James Andrew, Solicitor, with John Gourlay and A. M. Gourlay of TJGT each having a single share, the statutory minimum number. The other subscribers were Anderson and Robertson, together with two senior employees, John M. Scott and Charles Carmichael. TJGT were thus written into the company's very fabric at its outset, in a manner not envisaged in the Companies legislation. The Prospectus document also listed TJGT as auditors, with 'A. M. Gourlay, CA' as secretary (UGD 029/1).

A&R's conversion to a limited company provided the opportunity for TJGT to acquire employments and fees from several related sources, as agents for the purchase of the old firm from the partnership, as contributors of a financial statement to the Prospectus on a 'one off' basis, as secretary of the firm, and as auditors. The secretary's duties could have been

performed by an employee with suitable skills and would not have been onerous, as there was no intention to sell shares to the public and thus few share transfers to administer, but for reasons which can no longer be discovered, the task was given to TJGT. At this point, an audit was not mandatory, and the firm's first shareholders mostly consisted of Anderson and Robertson, plus a few shares in the hands of members of their families. In addition, the account books which survive from the partnership are beautifully and competently kept, prepared by the firm's cashier, Charles Carmichael, so there was no need for TJGT's bookkeeping skills at A&R. TJGT must have persuaded the firm that the additional expense of an audit was worthwhile (UGD 029/2).

TJGT went on to become A&R's auditors when the Companies Act of 1900 required Limited Companies to appoint auditors to report on their balance sheets, although there was no requirement for the auditors to be professionally qualified, the one proviso being that an auditor should not also be a director of the company being audited.

Having secured employments as auditors and as company secretary from the outset, a partner of TJGT secured a role as director of the company, when George Robertson, an original partner of the company and a founding director of the firm, died on 10 March, 1915. A monthly board minute of 17 September 1915 records that 'It is recommended that Mr A. M. Gourlay, [who was company secretary until then], be elected to the board in room of Mr Robertson' (UGD 29/2/1). Prior to forming the A&R partnership in 1877, Robertson had been cashier to the forerunner business, Morris Pollok, and it was presumably to replace his financial skills that A. M. Gourlay was appointed to the board in 1915.

Thereafter, there were two TJGT partners at each of the company's board meetings, one acting as company secretary, the other as director. In 1952, on the death of longstanding director, J. C. Scott, his son, J. M. Scott, CA was elected a director. Scott had trained with

TJGT in the 1940s. The situation changed in 1957, when A. S. Carswell, who had been company secretary since A. M. Gourlay assumed a directorship in 1915, joined the board. Carswell was succeeded as company secretary in 1957 by W. F. Gemmell of TJGT. From this point on there were two CA directors and one CA company secretary from TJGT attending each board meeting, together with one director, Scott, a trainee of TJGT. In addition, TJGT were still the firm's auditors. These were the chartered accountants, all associated with TJGT, and their involvements at A&R from its beginning until its end.

When the firm hit protracted business difficulties, several other chartered accountants became involved, the most significant of these being J. C. Gemmell of TJGT, who went on to become the firm's liquidator, after its decision to enter into voluntary liquidation in 1964, chosen by the board in accordance with the Companies Acts, which allowed the dissolving firm to select its own liquidator if it was solvent.

#### *Fee Income of TJGT*

Audit fees began at 15 guineas (a guinea being £1.05) in 1895 (UGD 029/2/1), continuing at this level until the mid-1900s, after which they are not disclosed, but by 1940, they stood at £126 (UGD 029/2/2). In 1950, they were increased to £180 guineas as the 1948 Companies Act (11&12 Geo.6, C.38) 'calls for a more detailed audit certificate', as noted in the board minutes (UGD 029/2/3). The company secretary's salary was 15 guineas from the early years but had increased to £120 per annum by 1959. In 1958, when the firm was encountering increasing difficulties, it decided to ask TJGT to produce monthly trading estimates, for which 60 guineas per annum was charged until the closure of A&R (UGD 029/2/3). The liquidator's fee was £5,000 plus outlays, paid in instalments by 1967. TJGT partners who were directors of A&R may have received a small honorarium each year, but this is not traceable from the accounts, which record various honoraria in aggregate. However, Carswell

was paid a fee of £200 in 1958, no doubt because of the extra work in connection with the monthly trading estimates caused by the deteriorating circumstances in which the firm found itself. While all the above sums are small by today's standards, they were not insignificant in terms of the purchasing power of the times and represented steady income over long periods which is likely to have been typical of many of TJGT's clients (UGD 029/11).

At various times in A&R's history, TJGT partners had small financial interests in the firm. In 1900, for example, A. M. Gourlay is recorded as making a loan of £1,000 in trust for a third party. The loan was only outstanding for some six months. In 1901 and 1905, respectively, a Miss Margaret Gourlay and a Miss Sarah Gourlay loaned the firm money, Margaret £300 for a year and Sarah £150 for a year, at an interest of 5 per cent and 4 per cent, respectively. The firm was not in financial difficulties currently, so the loan appears to have been a short-term investment. In today's audit environment, such connections would be frowned on as potentially affecting auditor independence, although not debarred in the law, then or now. As board members, A. M. Gourlay and A. C. Carswell held small amounts of ordinary shares in the firm, whose capital was dominated by the Anderson and Robertson families. Gourlay held 13 shares, with Carswell holding 25 shares (UGD 029/1/1, UGD 029/1/2 and UGD 029/1/3).

Most of the services rendered by TJGT were of a 'compliance' variety caused by legislation, and yielded little practical benefits to TJGT. However, the firm's good fortune in realising substantial values for shareholders upon its liquidation, as is shown below, cannot be dismissed without considering the role played in its management by its cohort of CAs in directorial positions. These included J.C. Scott, trained in TJGT and in its final decade, A&R's managing director. By the time the liquidator had completed the dissolution of the company in 1967, the holders of its 8,000 £10 ordinary shares had been paid four

distributions amounting to £25/14/- per share (UGD 029/1 and UGD 029/2). Despite four years of losses, since 1960, the good values achieved for assets resulted in them receiving a payment for their shares almost the same as the 1960 financial year-end book valuation of shareholders' capital and reserves, that is, before the losses of 1961-1964.

No doubt the monthly availability of profit estimates, prepared by TJGT for A&R in the 1960's, helped the firm decide when to bring in consultants, who soon advised that there were few real options, short of outright sale of the firm, or liquidation. This resulted in protracted but unfruitful conversations with larger firms in the trade regarding the possibility of takeover, but led to voluntary liquidation in 1964, with its relatively good financial outcome.

However, in this area the firm, in its dying stages, got lucky. Unable to sell its factory to the local council for town redevelopment, a fire destroyed it in 1965 meaning that the fire insurance company paid out its value to the liquidator. Also, some of the assets were bought by two of the directors at market values, in the hope they could start a new, much smaller, business manufacturing pure silk yarn elsewhere in Motherwell, a business which failed after a few years. If this had not happened, much less might have been realised from these assets (UGD 029/2).

### **Assessing the A&R case in the light of the historical explanations**

We now examine the different explanations of the progress of accountancy reviewed earlier, discussing how well each of those views explains the relationship between A&R and TJGT.

*Matthews, Anderson and Edwards*

Matthews et al. (1998: 13) conclude that ‘fundamentally, therefore, accountancy’s place in the market is seen ... to have been achieved in response to a real demand for its services’. After all the statistics showing the progress of accountants in industry, this conclusion merely mirrors Edwards’ (1989) summary, even though the authors were conversant with the sociological perspectives of Larson (1977), Macdonald (1995) and the Marxist perspectives of writers such as Johnson (1980), which stressed the self-interest of professional groups and their place in the social hierarchy.

In responding to this analysis, we note, first, that Matthews et al. (1998) correctly identify a link between accountants who were engaged in prospectus work and their subsequent employment as auditors, which they stated was ‘quite common’ (Matthews et al., 1998: 109). Our case study is a specific example.

Despite this factual point, we feel that too little attention has been paid by Matthews et al. (1998) to the significance of unlisted limited companies in the workload of accountants over time, which our case study highlights. While these authors show ample evidence of the involvements of accountants who were directors, managing directors, chairmen or company secretaries of companies, their statistics are largely confined to companies listed on the stock exchange, a tiny minority of all companies requiring the services of accountants.

At no point in their study, any attempt has been made to examine the involvements of accountants in companies not listed on the stock exchange, such as A&R. We show below in Table 3 the numbers of limited companies from 1939 to 1969.

**Table 3.** Total UK companies and related data, 1939-1969.

<i>Year</i>	<i>Total Nos. of Ltd Companies</i>	<i>Effective Total Companies</i>	<i>Incorporated in Year (000's)</i>	<i>Dissolved in Year (000's)</i>	<i>Liquidations and Insolvencies (000's)</i>	<i>UK Companies Listed on the Stock Exchange</i>
1939	173,308	163,890	11.1	9.2	3.0	
1945	200,969	195,479	10.9	2.1	1.1	
1951	270,017	260,156	13.5	5.2	4.3	
1957	331,119	319,998	20.7	7.5	4.4	
1963	476,080	459,418	42.2	8.9	7.8	4,409
1969	552,779	514,826	25.2	25.8	12.7	3,548

Source: Company register statistics/ Historical stock exchange statistics, accessed 16 February, 2016.

The growth in the number of limited companies over time is apparent, with new companies outstripping the numbers of those dissolved. Equally clear from Table 3 is the rising number of insolvencies over the period. The numbers emphasize that most of the work done by UK accountants related to non-UK stock exchange listed companies, which all required audit from 1900, and their winding up, should they have failed. In addition, our case study has provided some evidence supporting the view that it is likely that prospectus work led to audit and that this in turn led to the provision of ancillary services, including company secretarial work and the provision of additional accounting services, possibly leading to remunerative insolvency work, together with board memberships for accountants from the firm of auditors.

At the start of 1963, 4,409 UK companies were traded on the stock exchange while there were some 460,000 private companies. Clearly, unlisted firms have, for the last 120 years or so, represented the bread and butter business of British accountancy practices, and thus our case study may well represent the underlying realities of the day-to-day interactions between

the accountancy profession, particularly the chartered accountancy profession, and the world of industry.

Recognising to some extent the limitations of their data as depending heavily on quoted company data, Matthews et al. (1998) state that it is not possible to obtain more than anecdotal evidence concerning the extent to which professional accountants monopolized the supply of audit services to unquoted enterprises, ‘but such evidence as does exist suggests that it was common practice by... 1900’ (Matthews et al., 1998: 278). This is an important observation, but its wider significance is not explored by these authors in their analysis, a point to be taken up later.

Their account, although backed by substantial evidence, has a somewhat celebratory tone. Walker (2000: 321) argues that it has too much to say about ‘accountants flourishing under advanced capitalism and receiving high rewards for their contribution to its functioning’. He holds that not enough is said about the social implications of this dominance, a topic to which the present paper, as will be seen below, contributes.

We take the view, as argued above, that the reputation and skills of accountants did not magically permeate society. This was achieved through the bread and butter work of thousands of small accountancy practices which serviced hundreds of thousands of private companies, which resulted in the extension of their connections with firms beyond audits.

### *Maltby*

Maltby’s (1999) concentration on the auditing function of accountants as the line of business that brought the profession success seems to be borne out by the A&R experience. In their case, it brought other compliance and non-compliance work, including directorship and company secretary, a feature of its auditing connection, which spread the jurisdiction of accountants throughout industry and commerce. The benefits derived from the audit for

A&R, we assess to have been minimal (aside from the advantage of limited liability), while the advice provided seems to have been confined to the state of emergency A&R found itself in by the turn of the 1960s. This advice appears to have been largely financial, centred on matters of profitability, cash flow and the timing of the winding up of the business.

However, if the plethora of CAs involved in A&R deserve moderate credit for it successfully (if fortuitously) unlocking shareholder value at the time of the firm's liquidation, commentators would perhaps pass a more negative verdict on their performance as sage counsellors to the board concerning the firm's strategic direction, as they claimed they would in the late 19<sup>th</sup> century (Maltby, 1999). We have argued elsewhere that, in the late 1930s, there were ample signs that the synthetic fibre trade was in the midst of a worldwide technological revolution and process of concentration which was shaking up the textile industry. This was drastically reducing the usage of silk. However, it was then that A&R opted to specialise in the production of silk fibres alone, for the makers of silk fabrics selling to the luxury market (Ding et al., 2017).

This type of narrow and restricting specialisation has been referred to in the management literature as 'path dependence', indicating that when firms make decisions of this character, they reduce their responsiveness to changes in the environment, having narrowed down the skill base and asset base within the firm. The slow demise of A&R across the 1950s and 1960s was the outcome of this decision, albeit the firm tried to move over to synthetic fibres during its last ten years, with reducing success, which led to liquidation (Ding et al., 2017).

An earlier merger or a change to synthetic fibres in the 1930s might have been a better option. The reality was that TJGT's representatives on A&R's board had no special training in management nor had they any special knowledge of the textile trade in which the firm operated, also calling into question Matthews et al.'s (1998) assertion that the professional accounting qualification was a good surrogate for management education.

Maltby (1999) also highlights the late-19<sup>th</sup> century contention that the employment of accountants as auditors, as opposed to amateurs such as shareholders, would avoid difficulties in dealing with shareholder demands for larger dividend pay-outs. The flaw in this argument was that it recommended professional accountant-auditors on the strength of their usefulness to listed companies, ignoring, deliberately or otherwise, the fact that most companies were unlisted, in order to emphasize their best, but less relevant, skills.

Maltby (1999) may, however, be justified in concluding that part of what the accountants were seeking to do was to build themselves a wider base for their business, as indeed TJGT appear to have done.

### *Foucauldian approaches*

We now consider why A&R came to rely so much on their accountants, from a Foucauldian point of view. As McKinstry (2014) notes, the CAs were benefiting from a ‘discourse of superiority’. They had created, from 1853 and 1854, through their defensive arguments for the retention of bankruptcy work, for example that ‘all unqualified and incompetent parties should be excluded from the office of trustee’ (McKinstry, 2014: 81), a binary divide among accountants, between chartered and the rest, and were reaping the benefits in terms of reputation in business.

Perversely, it was these defensive motives which caused the Glasgow Institute to begin its professional life in 1854, soon after the Edinburgh Institute had done the same. Both began by gaining a Royal Charter, utilising the designatory letters CA and a little later, conducting professional examinations. As noted earlier, the latter two may be interpreted as discursive practices which penetrated the social fabric, thus helping to consolidate their power (Foucault, 1972).

This translated into the high regard in which A&R held TJGT, linked initially to the provision of formation, prospectus and auditing services for the firm, which did not initially require the services of accountants. However, these were retained when the balance sheet audit became compulsory for limited companies in 1900 and later, when a profit and loss account audit by approved accountants became necessary in 1948, having in the interim gained company secretarial and board positions.

Some of this high regard undoubtedly related initially to the non-expertise of businessmen in the relatively new area of company formation, for which A&R had approached their solicitors, Mitchells Johnson, who appear to have recommended TJGT. This came at a time when Scottish chartered accountants were carrying out over 80 per cent of Scottish public accountancy appointments (Walker, 1995).

This status was underlined at the 1905 50th anniversary dinner of the Glasgow Institute. Top-table guest, Lord Ardwall, who was a distinguished judge and arbiter in industrial disputes, observed in a speech that ‘I think you should cultivate - and I would ask the younger [CA] members... to do so – a very high view, a very high opinion of your own profession and of the part it plays in modern society’ (Brown, 1905: 441).

At the same dinner, the host was none other than Thomas Jackson, CA, of TJGT, who at this time was president of the Glasgow Institute, also an indicator of the status and importance of the firm that A&R had chosen as its accountants. In addressing the dinner guests, he noted that:

‘Since the Institute was formed the trade and commerce of the country have largely increased, and consequently the profession of accounting has become a much more general and important one, especially since the introduction of the Limited Liability Act. The duties of accountants have become more varied and responsible, requiring a higher and more liberal

education. When the Institute was formed the duties of the accountant in Glasgow were largely confined to dealing with bankrupt and insolvent estates; now, however, they are largely investigation, auditing and company work' (Brown, 1905: 443).

This may easily be read as Foucault's power/knowledge nexus in operation, showing how professional bodies cultivate power. As Napier (2009: 38) has put it, 'Foucault stressed the intimate association between power and knowledge: those who have power are able to define what counts as knowledge'. This knowledge formed the bedrock of the early Scottish CA profession's monopolistic claims of superiority and was deployed and tested through examinations as part of the 'higher and more liberal education' that had come to be required, as asserted by Jackson above. The purpose of such examining processes, as Hoskin and Macve (1986: 133) argue, was to 'establish a monopoly over competence by taking over the written, graded examination with its power to control entry, set standards and simultaneously validate the status of those who passed'.

As TJGT carried out its work at A&R, several reinforcers of this status and power were in operation, the discursive practices relied on by the chartered accountants, namely, the use of the by now widely respected professional qualification of CA, backed up by (reputedly) stiff professional examinations. These combined together in the discursive practice of auditing, reinforcing the accountants' power in the perception of clients, as the auditors, having been examined and deemed fit themselves, subjected their clients' books and finances to examination.

All these Foucauldian elements, we believe, were at work in A&R's interactions with TJGT, in the manner we have outlined. However, there are also fragments of evidence, in the form of apparently related obituaries of clergymen and accountants from the A&R and TJGT sides, in TJGT company scrapbooks, that may be significant. These suggest, but are not

strong enough to prove, the existence of connections of consanguinity between the two firms in the early period, possibly leading to friendships that helped smooth commercial relations between them. As Foucault (1980: 140) notes, ‘relations of power are interwoven with other relations (production, kinship, family, sexuality) for which they play at once a conditioning and conditioned role’. Even here, power operates subtly, in and through social bonds, as far as the present study is concerned, but the details are now lost.

## **Concluding discussion**

In conclusion, we take the view that those arguments about the historical progress of accountancy in the UK, where they proceed soundly based on valid evidence and logic, are to be heeded. This, we feel, vindicates Maltby (1999) more than Matthews et al. (1998). Maltby’s (1999) evidence, as we have shown, is in some points nearer what the A&R case reveals about the longstanding strategy of accountants to ingratiate themselves with directors to acquire other non-audit business through audit, while Matthews et al. (1998), in our opinion, are content with too broad brush an economic rationalist explanation for accountancy’s rise, which is based, simplistically, on rising demand. Both the Matthews et al. (1998) and Maltby (1999) accounts, however, as indicated earlier, are deficient in underestimating the importance of unlisted companies in understanding accounting’s progress and place in Britain.

As shown above, we also believe that a Foucauldian account has much to offer and is in general, able to be accommodated alongside economic rationalist and jurisdictional positions, pointing in this case to the discursive practice of auditing as a power/knowledge-based springboard to expanded business. The Foucauldian approach analyses power, rather than economic relations, in a way that makes the three approaches, in this case, complementary. To Foucauldian scholars, to question that doctors or statutory auditors have power over key

areas of human life or near-monopolies of areas of business life, respectively, with concomitant status, is to ignore the obvious. The discursive practices of those who hold power speak through their very existence and operation. Nor should it be thought that Foucault's analysis of power is wholly negative. As McKinstry (2014) has shown, his view was that, while there were and are abuses of power, it was also a productive force in the organisation and operation of society, without which 'anarchy on the one hand or state control on the other' might ensue (McKinstry, 2014: 92).

Accounting historians who remain sceptical of a Foucauldian view would, in our opinion, be better to emulate the breadth of vision of social historians. As Perkin (1989: 116) points out, relevant to the opening years of the relationship between A&R and TJGT, 'Class society in Britain... [was]... at its zenith between 1880-1914'. We have contended that A&R are likely to have been impressed socially with the credentials and status of TJGT as early as 1894 and may well have felt that their associations with them improved their own social status in the community. While merchants in substantial small firms would certainly qualify as middle class, as Evans and Fraser (2012) argue, partners in leading CA firms, especially those who held prominent positions on the council of their Institute, as Jackson of TJGT at one point did, would command higher social status.

Association with the socially superior partners of TJGT, more particularly in the roles of director and company secretary, might well have increased A&R's sense of self-worth, in the belief that their accountants' professional skills, as symbolized in their chartered accountancy qualifications, were somehow of a higher order than might be understood or achieved even by seasoned executives in the textile trade. As Perkin (1989: 117) observes, professionals offered a service that was 'esoteric, evanescent and fiduciary-beyond the layman's knowledge or judgment, impossible to pin down or fault even when it fails, and which must therefore be taken on trust'.

The class system, which was so strong in Victorian and Edwardian times, was still much in evidence in Britain in the decades immediately following World War II. Kynaston (2009: 136) observes that British society at this time still functioned ‘along deeply entrenched hierarchical lines’, in a land where status and schooling were still important and snobbery all too prevalent. The middle class was becoming ‘increasingly technocratic’, and affluence, in the form of increasing television and motor car ownership, would begin to appear as rationing was steadily lifted across the 1950s.

As Macdonald (2009: 144) notes, Scotland’s class profile, once more working class in self-perception than in England, ‘had moved increasingly closer to Britain as a whole during the twentieth century’ with a large and growing middle class. It was against this backdrop that John C. Scott, whose father had been a director of A&R for some fifty years, had trained as a CA in the firm of TJGT in the late 1940s and early 1950s, on qualifying, starting as one of the handful of managers in the firm’s Motherwell plant, where it had consolidated all manufacturing in 1937. No relatives of Scott are known to survive, so it has been impossible to verify his motives for this choice of career, but it was consistent with the trend for sons of non-professional men to encourage their sons into the professions, among which chartered accountancy was an increasingly popular and prestigious choice (Walker, 2000).

Within a few years, Scott had replaced his father as a director on his death, later taking over in 1957 as managing director. His responsibilities from the first had involved both the commercial and the financial side, suggesting that his CA training was a good preparation for this career path. Scott had, however, paid Scottish CA the highest possible compliment, that of emulation, absorbing the firm’s apparently strong faith in the profession’s ability to guide A&R forward. In all Scott’s subsequent appointments, which were in small local textile firms until his retirement, he remained a CA, keeping up his professional subscription until his last

years, thus remaining closely identified with his professional qualification as a CA (*ex inf.* 2015 ICAS).

A&R had employed TJGT as auditor, as company secretary, and later for special assignments, culminating in its selection as liquidator in 1964. In 1969, while Scott was working as a director in the small firm he had started after the failure of A&R, the ICAS, as noted earlier, vowed ‘to ensure the predominance of the Scottish Institute among the professional societies of accountants throughout the world’, in an unprecedented escalation of the Institute’s discourse of superiority and its manipulative ambitions, globally (McKinstry, 2014: 88). In our view, this provides further support for our interpretation of relations between the two firms. The role of self-interest and jurisdiction-building, it appears, was never absent from relations between A&R and TJGT.

### **Suggestions for further research**

We now summarise some of the areas, arising from our case study, that might usefully be researched by historians.

More unlisted company studies of relations between firms and their auditors/accountants, and the kinds of business to which these give rise, would be highly desirable. Subject to the availability of suitable archives or other evidence, these are capable of further illuminating the development of the accountancy profession in Britain. The importance of the linkage between audits and the provision of other services, evident in our own study, and the factors in it, will only be proven or disproven through the accumulation of cases.

Foucauldian studies in accounting history which examine the complexities of power relations between auditors and auditees in both unlisted and listed companies would also be desirable. These might explore Foucault’s contention ‘that there are no relations of power without resistances’ (Foucault, 1980: 142) thus examining the view that there is unlikely to

be 'passive and equal acceptance of norms by everyone' in the area of power (Pylypa, 1998: 33). This would be a particularly interesting trajectory in view of the potential compromise of auditor independence involved in a firm of accountants also having other business roles within the same firm (Maltby, 1999), or in cases of clashes of opinion between auditors and auditees. These are still matters of concern in the present day, upon which historical research might prove able to shed some light, should the delicacy of the subjects permit the survival of relevant archives or other forms of testimony.

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