**ABRAHAM BRILOFF: AN ACCOUNTING HERO FOR THE AGES**

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This year marks the 40th anniversary of *Unaccountable Accounting*, a tart polemic by Abraham Briloff. In this love-it-or-hate-it text Briloff debunked many accounting myths, pointed out the shortcomings of corporate financial reporting, discussed the fragility of GAAP in the hands of accounting marauders, described the ineptitude or conspiratorial nature of auditing firms, warned investors that the worst was yet to come, wondered why academics abandoned accounting for financial economics, and asked whether society would ever create institutions and provide incentives to improve financial accounting. To our chagrin, the business community and government officials ignored the warnings of this accounting prophet and we have paid the price as 10-Ks, 10-Qs, proxy statements, and other SEC filings increasingly are filled more with confetti than facts and figures. Indeed, the worst has come!

Abe wrote several books. The first was *The Effectiveness of Accounting Communication*, which evolved from his doctoral dissertation at NYU. Written in 1965, he notes the need for crisp, precise writing in financial reports so that the communication by management to the investment community is clear and unambiguous. He then demonstrates how the term generally accepted accounting principles is imprecise and fraught with multiple interpretations. From there Briloff points out a variety of other breakdowns in the communication process.

*Unaccountable Accounting* (1972) is Briloff’s second and most famous book. He builds on the principles of his first book and enumerates dozens and dozens of examples where the managers misapplied accounting rules and the auditors did nothing about them. Examples come from the late 1960s up to 1971. These include such marvelous cases as Litton, Leasco, National Student Marketing, Telex, Memorex, Mill Factors, Occidental, and Great Southwest. He ends the text with “quo vadis,” which loosely translated means “where are we headed?” It is more of plea to the profession rather than a question about the future.

*More Debits Than Credits* followed next in 1975. This book acts as a sequel to *Unaccountable Accounting* inasmuch as Briloff adds more and more illustrations. Now managers, directors, and audit firms give us Stirling Homex, Lockheed, U.S. Steel, and ITT, among others. He concludes by saying that we are in great peril and that he is despairing, though not despondent.

The last text is *The Truth about Corporate Accounting* (1981), and it is more of the same. The profession shamed itself with fiascos during the late 1970s at Tenneco, LTV-Jones&Laughlin, Kennecott, Gelco, GE, and Northrop. He included updates on cases mentioned in previous books and their status in the courts and with the regulators. Briloff adds another “quo vadis.” This time it is more of an alarm clock, attempting to wake the profession from its stupor.

Of these four books, *Unaccountable Accounting* is the most popular. Exactly why is unclear. One might hypothesize that it added flesh to the arguments in the first book by including fresh meat from the marketplace. The logic in the last two books did not change appreciably from *Unaccountable Accounting*; rather, they just added examples, demonstrating that change was indeed needed.

*Unaccountable Accounting* is still admired by investors and hated by managers and auditors, though it is not as well known by younger members of the profession. It should be required reading for accountants to remind ourselves that the profession’s problems are not new, and that they can snowball when society ignores them. If the CPA exam were truly a professional exam instead of just a test about a smattering of technical tools, it would ask about the contributions of Briloff and other accounting heroes.

We called Professor Briloff to discuss the book and see what he is doing now. He continues to say that he is "despairing but not despondent" about the profession and its ability to change. He hopes not for external pressures, but for the profession itself to become convinced of its shortcomings and to reform. Abe did say that 15 years ago he accused firms of questionable accounting, but not fraud; today, however, he would and he does.

As Abe Briloff approaches 95, he shows no signs of quitting. Interestingly, he talked about his last paper, coauthored with his daughter Leonore. In “[Where Did the $15.8 Billion Go](http://online.barrons.com/article/SB50001424052748703453304576596792377399236.html#articleTabs_panel_article%3D1),” published in *Barrons* last October, they examined the financials of HCA and its metamorphosis into HCA Holdings. Essentially the Briloffs analyze these financials and concluded that the firm has de facto employed pooling of interest accounting. This is because the SEC filings state that the accounting for this recapitalization has “no adjustments to the historical basis to our assets and liabilities.” The missing costs are missing because that’s the way pooling of interests work—by stealth and by sleight of hand.

One might point out that the FASB disallowed pooling of interests in 2001 when it issued Statement No. 141. Indeed, the Briloffs point out that fact in the article, and they are still waiting for a response from managers of HCA Holdings and from its audit firm E&Y. They also would like to know why the SEC did nothing about this improper accounting. Abe concludes, “Somehow there is a belief that whatever is, is right.”

We think that Abe Briloff has been a shining light for the profession and deserves respect for his insights and his moral stance. If we would follow his leadership, the profession would be stronger and more resilient against temptations by managers. If we pursued the paths he has trod, the investment community would be less susceptible to the shenanigans of corporate America. (Also see the essay by Gary Weiss, “[Abraham J. Briloff: Champion of Accounting and Accountability](http://online.barrons.com/article/SB50001424053111904571704577404100776242484.html#articleTabs_article%3D1).”)

Instead, the profession either attempts to silence him or to ignore him. It did the former when [the AICPA brought trumped up ethics charges](http://aaahq.org/PublicInterest/docs/newsletters/spring99/item07.htm) against him a few years back. It does the latter by not acknowledging his greatness, for example, not naming him to the [Accounting Hall of Fame](http://fisher.osu.edu/departments/accounting-and-mis/the-accounting-hall-of-fame).

Anybody interested in real ethics and real reform in accounting will admire and appreciate the great work performed by Abraham Briloff. His works need to be read and digested and communicated to others. Let us learn from the cultural heritage of accounting greats like him.

*This essay reflects the opinion of the authors and not necessarily the opinions of The Pennsylvania State University, The American College, or Villanova University.*