



## **Leading the transformation**

100 years and beyond

Dr Martin Farrar



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FCMA, CGMA

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Amal Ratnayake, FCMA, CGMA, serves as President of The Chartered Institute of Management Accountants® (CIMA).

In this elected volunteer role, he works to drive a dynamic accounting profession worldwide, representing ACMAs, FCMAs and CGMA® designation holders, and promotes the value that management accountants drive for organisations of all sizes. He also is the chairman of the board of the Association of International Certified Professional Accountants, the unified voice of CIMA and the American Institute of CPAs (AICPA).

Amal became a CIMA member in 1993 and began volunteering with the Education and Training Committee of CIMA Sri Lanka soon thereafter. He also served on CIMA's Council, CIMA Executive Committee and CIMA boards and policy committees on three continents.

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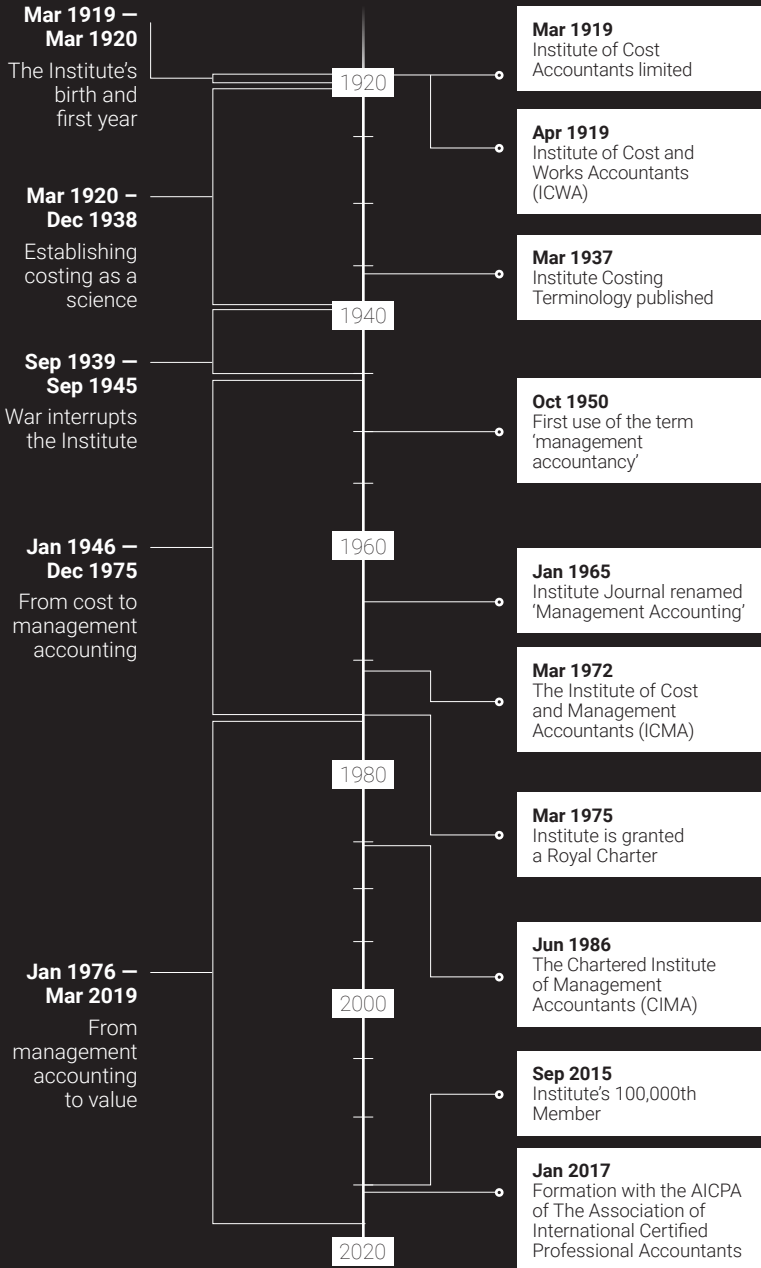
# Leading the Transformation

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First printed 2019

# Timeline



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# Foreword

100 years ago, our body was founded by a group of forward-looking business people. Their intention was to transform the accountancy profession that would support them in managing and leading their organisations.

The initial work on the Institute was around cost management. Over the century we have continued to lead on this and have continued to evolve this into the concept of value creation. The journey has taken us through cycles of automation, the evolution of risk management, tools such as balanced scorecards and frameworks such as activity-based costing. Management accounting today is recognised as the essential part of decision support and management accountants work alongside business leaders and managers as trusted and objective partners.

We have not only added value to business. We have provided opportunities for people across the world to have rewarding and satisfying careers. Our members have made a difference not just to the businesses they work for but also the communities they live in.

Today, CIMA continues to lead in the accounting profession. As a founding body of the Association of International Certified Professional Accountants, we are driving a global management accounting profession, creating value for businesses and the proud individuals who make up our profession.

**Andrew Harding**

**Chief Executive – Management Accounting**

# Introduction

This year, the Institute celebrates its centenary. The world is a very different place from the one that saw seven individuals come together to form and shape an Institute for Cost Accountants, back in 1919. To understand the Institute's journey and story over the last one hundred years, this book has collected together one hundred milestones. These milestones give a flavour of the Institute's developmental journey, how the Institute engaged the world in the science of costing and management accounting, and chart how the membership of the Institute has evolved; over the generations, in an ever-changing world. The milestones also give context to the issues of the day, celebrate the wider community, and the need to embrace an increasingly technological age. They commemorate the highs and lows of the Institute.

The milestones have been grouped together into five historical areas that encapsulate:

- ▶ The Institute's birth and first year: 1919
- ▶ Establishing costing as a science: 1920 to 1938
- ▶ War interrupts the Institute: 1939 to 1945
- ▶ From cost to management accounting: 1946 to 1975
- ▶ From management accounting to value: 1976 to 2019

Most of all, the one hundred milestones demonstrate the pioneering spirit of the Institute's many members and students. Without them, the Institute would be nothing. Their shining examples have kept cost and management accounting relevant, and central to successful businesses around the world over the last century.

# Institute Presidents

**1 Lord Leverhulme**

1919-1925

**2 Walter Howard Hazell**

1925-1929

**3 Donald Louis Moran**

1929-1932

**4 Sir Reginald Townsend**

1932-1933

**5 Roland Dunkerley**

1933-1934

**6 James Arthur Lacey**

1934-1935

**7 George Henry Clamp**

1935-1936

**8 Percy Hall Lightbody**

1936-1937

**9 William Walker**

1937-1938

**10 George Russell**

1938-1939

**11 Robert Benjamin Garnham**

1939-1941

**12 Cyril Summers**

1941-1943

**13 Harold Wilmot**

1943-1946

**14 Henry Dallas Jack**

1946-1948

**15 George Cecil Stone**

1948-1949

**16 William Henry Boddington**

1949-1950

**17 Sir Lawrence Robson**

1950-1951

**18 Arthur William Muse**

1951-1952

**19 Sidney Charles Tyrrell**

1952-1953

**20 Francis William Hildyard Saunders**

1953-1954

**21 William Edward Harrison**

1954-1955

**22 George Nicolson**

1955-1956

**23 Sir Ian Morrow**

1956-1957

**24 James Borsay**

1957-1958

**25 Henry James Furness**

1958-1959

**26 Edward Emmerson**

1959-1960

**27 William Symington Risk**

1960-1961

**28 Francis Maurice William Hird**

1961-1962

**29 William Bishop**

1962-1963

**30 Charles Eric Power**

1963-1964

**31 John Pearson Wilson**

1964-1965

**32 Harry Hodgson**

1965-1966

- 33 William Liddell Spalding  
1966-1967
- 34 Charles Ernsest Sutton  
1967-1968
- 35 Robert Glendinning  
1968-1969
- 36 Henry Pittaway Southall  
1969-1970
- 37 Stanley Edward Woods  
1970-1971
- 38 James Muir Symington Risk  
1971-1972
- 39 Anthony Wentworth Howitt  
1972-1973
- 40 Cyril Alfred Herring  
1973-1974
- 41 Denys Edwin Edmonds  
1974-1975
- 42 Alexander Ian Grant Farquharson  
1975-1976
- 43 Ronald Frank  
1976-1977
- 44 Alexander Morrison  
1977-1978
- 45 Geoffrey Charles Rowett  
1978-1979
- 46 Frank Vickers Hayhurst  
1979-1980
- 47 William Hyde  
1980-1981
- 48 Austin Callaghan  
1981-1982
- 49 Derrick Willingham  
1982-1983
- 50 David Allen  
1983-1984
- 51 Cyril Walter Banyard  
1984-1985
- 52 Vincent John Delany  
1985-1986
- 53 Peter John Lawrence  
1986-1987
- 54 Michael Bromwich  
1987-1988
- 55 Ronald Bernard Kett  
1988-1989
- 56 Ronald Mervyn Giffin  
1989-1990
- 57 Dudley Sharratt Mead  
1990-1991
- 58 John Andrew Likierman  
1991-1992
- 59 Philip Arthur Hewitt  
1992-1993
- 60 Douglas Robert McRae  
1993-1994
- 61 Thomas Michael Glancy  
1994-1995
- 62 John Allan MacNab  
1995-1996
- 63 Roderick Clive Hill  
1996-1997
- 64 Norman Lyle  
1997-1998

**65 Peter Layhe**

1998-1999

**66 David Christopher Melvill**

1999-2000

**67 Mike Jeans**

2000-2001

**68 Bruce Epsley**

2001-2002

**69 Harry Jackson Byrne**

2002-2003

**70 Claire Ighodaro**

2003-2004

**71 Roland Kaye**

2004-2005

**72 Ian Christison**

2005-2006

**73 John Coghlan**

2006-2007

**74 John Gordon Grant**

2007-2008

**75 Glynn Lowth**

2008-2009

**76 Aubrey Einstein Joachim**

2009-2010

**77 George Glass**

2010-2011

**78 Harold Baird**

2011-2012

**79 Gulzari Lal Babber**

2012-2013

**80 Malcolm Furber**

2013-2014

**81 Keith Luck**

2014-2015

**82 Myriam Madden**

2015-2016

**83 Andrew Miskin**

2016-2017

**84 David Stanford**

2017-2018

**85 Steve Swientozielskyj**

2018-2019

**86 Amal Ratnayake**

2019-2020

# Institute Medallists

1955	Roland Dunkerley JP	1974	Stanley James Careless
1956	Robert Warwick Dobson	1977	Henry Pittaway Southall
1956	Robert Benjamin Garnham	1978	James Muir Symington Risk
1956	Andrew Miller	1980	Leslie William Rice
1956	William Walker	1982	John Bakewell Compton Miller-Bakewell
1957	William Edward Harrison	1986	William Hyde
1957	Frederick Charles Lawrence	1986	Richard Ernest Thomason
1957	George Cecil Stone	1987	Y M Raja Dato Seri Abdul Aziz Raja Salim DK KMN
1958	Edwin Francis Brown	1989	Frank Vickers Hayhurst
1958	Francis William Hildyard Saunders	1990	James William Harry Francis
1959	Harold Wilmot CBE	1990	Stanley Husband
1960	Frank Leadbetter	1991	David Allen CBE
1961	Arthur Hopewell	1991	Anthony Wentworth Howitt
1961	Cornelis Mollink	1994	Robert Glendinning
1961	Mona Mollink	1996	Philip Arthur Hewitt
1961	Sir Ian Morrow	1998	Thomas Michael Glancy
1961	Arthur William Muse	2002	Professor Sir John Andrew Likierman
1962	Edric Brian Bishop	2009	Professor Michael Bromwich
1962	Sidney Charles Tyrrell		
1965	William Symington Risk		
1969	William Bishop		
1969	James Borsay		

The Institute's birth  
and first year:

**1919**

# Introduction

It is important, upfront, to understand that cost accounting, didn't just appear in March 1919. The history of cost accounting goes back to the early days of the Industrial Revolution in Britain during the 1760s. With the growth of industries such as coal, iron, shipbuilding and textiles, individuals started to use detailed cost investigations of their businesses to increase their profits. Cost Accountants were alive and well before the First World War, but they tended to work in isolation, using rules of thumb, rather than agreed standard methods. The First World War changed all this. As Yuval Harari points out in his book, *21 Lessons for the 21st Century*, 'War spreads ideas, technologies and people far more quickly than commerce.'<sup>1</sup> The effects of war were to bond the isolated individuals together in a cost accounting community. This was amplified further in 1915, when the British Government created the Ministry of Munitions, and looked to costing systems to eliminate excessive profiteering in armament contracts.

Harari also highlights that, 'Between 1914 and 1918, and again between 1939 and 1945, the pace of technological development skyrocketed, because nations engaged in total war, threw caution and economy to the wind, and invested immense resources in all kind of audacious and fantastic projects.'<sup>2</sup> And, when the war ended with an armistice in November 1918, it could hardly be expected that the world would return to the way it was in 1914. This expectation was the same for the cost accountants and cost clerks.

The generally held assumption is that the world after the Armistice returned to peace, but this is far from the case. Civil war in Russia continued until 1923, violence in Ireland and civil war also dominated until 1923, and fighting in Afghanistan broke out in 1919, labelled the third Anglo-Afghan War.

*It is an extraordinary tale. With variations, it can be repeated across much of the world in the aftermath of World War I — a sense of a world coming apart, fantasies of conspiratorial communist influence, increasing state of economic crisis, a wave of strikes and conflict, fuelling drastic rhetorics of class conflict and violence on both sides. The nineteenth century had been haunted by revolution. Now was the moment, it seemed, that revolution had arrived.<sup>3</sup>*

In Britain during 1919, there were incidences of returning soldiers mutinying, race riots in major cities, trade union strikes, and tanks on British streets to try and restore order. The historian Simon Webb points out:

*It was claimed by several politicians that Britain came closer to revolution in 1919 and 1920 than at any other time in the country's history. Certainly, the scenes witnessed in this country during 1919 were quite unprecedented and nothing like them has ever been seen since.*<sup>4</sup>

The number of strikes in Britain peaked between 1918 and 1920, with 1,165 in 1918, 1,352 in 1919 and 1,607 in 1920. This compares with 672 in 1915, 532 in 1916 and 730 in 1917.<sup>5</sup> For the British Prime Minister, Lloyd George, and his Cabinet, they feared that trade union action and strikes could lead to full Bolshevik revolution on the British Isles in 1919.

This was happening at the same time as the Paris Peace Conference was taking place to establish terms of peace after the Great War. The Treaty of Versailles was signed on 28th June 1919. But during its negotiation, Lloyd George had to return home to resolve the possibility of a national crisis. The national crisis was caused when a coalition of railway workers, dockers and miners — under the 'Triple Alliance' — threatened strikes across the country.

The threat of a general strike gripped Britain in February 1919 at the same time that individuals came together to discuss forming an association of cost accountants and works clerks.

Could the act of setting up the Institute be another act of Bolshevik rebellion? Was the plotting of 'the cost accounting seven' in February 1919 just an example of further working-class militancy?

For the traditional, well-established, professional bodies, the creation of the Institute may have appeared like an act of militancy. The Accountant journal at the time labelled them as the, 'So-called costing experts, who are in the most cases little more than stationers' salesmen, anxious to push their employers' goods, however unsuitable they may be for the particular business.'<sup>6</sup>

However, in a letter, dated 13th May 1919 from the Secretary of the Institute of Cost and Works Accountants, it was clear this new Institute was to be no Bolshevik cost accounting revolution.

*'We, as an Institute, fully realise the importance of the professional accountant, in the sphere which he has qualified for, and satisfactorily fills, but we also maintain that he should understand his limitations when approaching a type of work which calls not only for accountancy experience, but also demands practical knowledge which can only be obtained by close contact with actual factory conditions and detailed processes; and, in addition to this, workshop organisation embracing machine efficiency, all of which is outside the scope of the commercial man.'*<sup>7</sup>

There is a saying that 'imitation is the sincerest form of flattery', and in the first year of the Institute, the members set about building their professional body in a traditional Victorian style. The solid foundations they built, in 1919 and 1920, set the tone and direction for the next 100 years.

## Milestone 1: The Institute of Cost Accountants is registered as a Limited Company

Date: 8th March 1919

The first milestone for the Institute is 8th March 1919. It was on this date that *The Institute of Cost Accountants* was incorporated as a Limited Company and registered at Somerset House in London. However, this was an output of a group of seven individuals who had discussed the possibilities of forming an association in February 1919. Of the seven individuals, four described themselves as ‘cost accountants’, one a ‘factory accountant’, one an ‘engineer’ and one a ‘secretary and accountant to a public company’. The seven were:

- ▶ William H Vanter, a Cost Accountant from Merton, London
- ▶ Frank Leslie Davies, a Cost Accountant from Woodside Park, London
- ▶ C Aitchison, a Factory Accountant from Letchworth
- ▶ Richard J H Ryall, a Cost Accountant from Kew Gardens, Surrey
- ▶ George Thomas Turner, a Cost Accountant from Wendell Park, London
- ▶ James Claud Todman, an Engineer from Acton, London
- ▶ H E Hutchins, A Secretary and Accountant to a Public Company from Hendon, London.

The individuals had been brought together through the approaches of Mr W.E. Stacey, a Secretary, and Mr J C Hugo Kilner, a solicitor, who were interested in forming a costing association.<sup>8</sup>

These early meetings, to build the foundations that the Institute continues to sit upon today, took place at the Offices of Solicitor J. C. Hugo Kilner, Coleman Street, London.

Mr Richard J H Ryall is recorded as the first member of the Institute, admitted as a Fellow on 20th June 1919. At the time, he was working for A.W. Lyon & Co, as a cost accountant.<sup>9</sup>

Also admitted as Fellows on 20th June 1919, of the original group of seven, were:

- ▶ Mr James Claud Todman (member number 3). Working as an electrical engineer at A.W. Lyon & Co, he was also a member of the Institute of Electrical Engineers and the Institute of Mechanical Engineers.<sup>10</sup>
- ▶ Mr Frank Leslie Davis, (member number 7). Working as the ‘Chief Accountant’ at Allen & Hanbury Ltd. And
- ▶ Mr George Thomas Turner (member number 8). Listed as ‘Consulting Cost Accountant’.

## Milestone 2: Signing of the Institute's Memorandum of Association, and The Articles of Association

Date: 24th February 1919

For the Institute to exist as a legal entity (set out in Milestone 1) there had to be some upfront form filling and admin. This took place two weeks earlier, when the seven signatories agreed the principle objects of the Institute on 24th February 1919 in the presence of solicitor Mr J C Hugo Kilner.

- (a) To provide an organisation for cost accountants, works accountants, estimating and cost clerks, and others engaged in occupations requiring a mathematical and technical knowledge of industry in all its branches, embracing in such knowledge the cost of production, manufacture, or sale of all articles produced, manufactured, or sold, in order to secure for them a definite professional status by means of a system of examinations and the issue of certificates of competency
- (b) To promote and protect the mutual interests of members and as far as possible to assist them to obtain adequate remuneration for their services
- (c) To assist necessitous members, and to raise, manage, and apply any fund for this purpose
- (d) To form a library for the use of members
- (e) To afford the members the benefits of a club<sup>11</sup>

It is interesting to note these objects haven't really changed in a century and their essence is still part of the Institute's DNA, 100 years later. You only have to look at the 2019 CGMA Competency Framework, to see that the idea of building a community of a competent Cost/Management Accountants is still alive, and very important to the Institute and its present-day members.

The objects were part of a Memorandum of Association that articulated how the seven signatories desired to form a Company, in their pursuit of a professional body for cost and works accountants.

Also agreed at the gathering on 24th February were the Articles of Associations for the new Institute. These included details on membership, entrance fees and subscriptions, General Meetings, Council and Offices, and the power of Council.

The new Council was to consist of not less than seven, nor more than 15 individuals and were given the power to appoint other duly admitted members. regulations as to the power of a Council were agreed and included the areas:

- (1) Persons eligible for membership
- (2) Conditions of membership
- (3) Entrance fee payable by members
- (4) Subscriptions or payment payable by members
- (5) Manner of termination of membership
- (6) Rights and privileges of members
- (7) Qualifications, restrictions and conditions which shall be attached to members
- (8) Arrangements with any other institute or association for reciprocal concessions or otherwise
- (9) Committees in connection with the management of the Institute, the Secretary and all other officers (other than Auditors) and the appointment, removal, qualifications, disqualifications, duties, functions, powers and privileges of the Secretary, and all other officers (other than Auditors) and members of the Committees
- (10) Suspension of membership
- (11) Qualifying initials and descriptions to be used by members.<sup>12</sup>

### Milestone 3: The first Council meeting and setting up of the Institute's governance

Date: 11th March 1919

The first meeting of Council of the Institute of Cost Accountants Limited took place at 30 Coleman Street, London. Topics on the agenda were membership, the appointment of the Council Chairman, membership qualifications, fees and annual subscriptions, and the appointment of Committees.

Mr George Thomas Turner (member number 8), was appointed Chairman of the Institute.

Council then agreed the conditions for Fellowship and Associateship of the Institute, before moving on to fees. It was agreed that the Entrance Fee to join the Institute would be three guineas for Fellows, with an annual subscription of two guineas, and for Associates two guineas, with an annual subscription of one guinea.

Also, at the meeting, Council appointed two Committees: a Publicity Committee and a Finance Committee. The Publicity Committee was quick to drum up interest in the Institute, with a letter published in *The Times* newspaper on 17th March 1919 and notices placed in the *Engineering and Electrical Review* and *Machinery* magazine in April.<sup>13</sup>

The Institute also required a Seal, and during Council discussions it was proposed to include a motto within it. The motto proposed by Council was the latin phrase, 'Experto Crede', which translates into 'Trust in one experienced.' It is an early indication from the founding individuals of the Institute and professional body they were trying to build.

With so much work being undertaken to get the Institute up and running, in the early days from March until June, Council met every two weeks. Then from June, Council meetings took place monthly.

## Milestone 4: The Institute of Cost and Works Accountants (ICWA)

Date: 29th April 1919

At the Council meeting on 29th April 1919, during a discussion around the qualifying letters for Fellows and Associate members, it was realised that the Institute name needed to change. This was necessary to differentiate it from the Institute of Chartered Accountants in England and Wales (ICAEW).

To remain as The Institute of Cost Accountants meant that Fellows would be known as 'FCA' and Associates as 'ACA', which were the same qualifying letters used by the ICAEW.

Council resolved this issue by approving a change of name for the Institute. From 29 April 1919, the Institute became, 'The Institute of Cost and Works Accountants Limited'.

The qualifying letters of 'FCWA' for Fellows, and 'ACWA' for Associates were then approved.<sup>14</sup>

## Milestone 5: The Institute Bye-laws

Date: 1st May 1919

The Institute Bye-Laws, in a draft form, were presented to Council on 29th April 1919. Approved at the meeting, they became operational on 1st May 1919.

The Bye-Laws set out the rules:

- ▶ On Members in Chapter II:
  - the qualifying requirements,
  - election to Fellow or Associate
  - designations, and
  - membership rights
- ▶ On Examinations in Chapter IV:
  - the logistics for Preliminary, Intermediate and Final Examinations,
  - the issue of Certificates, and
  - exemptions from the Examinations for candidates with previous experience
- ▶ On Committee appointment in Chapter V:
  - The Executive Committee,
  - Finance Committee, and
  - Examination Committee.

The Bye-Laws represent the backbone of the Institute in its quest to create a professional body. They are a public declaration, on which the outside world would judge the authenticity of the Institute.

## Milestone 6: The first branch of the Institute – The Birmingham and District Branch

Date: 7th October 1919

Set out in the Institute Bye-Laws of May 1919 are the rules for the establishment and running of Institute Branches. The objects of a branch were defined as:

- (a) To provide a Local Organisation for Members of the Institute, and generally promote whatever may tend to elevate the status and advance the interests of the Costing profession.
- (b) To provide opportunities for intercourse amongst the Members, to arrange for the reading of papers, the delivery of Lectures, and for the acquisition and dissemination by means of the Official Journal of the Institute, *The Cost Accountant*, of useful information connected with the profession.
- (c) To form a Library for the use of its Members.
- (d) To provide such accommodation as may be required for Meetings, for a Library, or for other useful purposes.<sup>15</sup>

At the meeting of the Institute Council on 29th April 1919, representatives for the districts of Sheffield and Birmingham were appointed, and given the remit to gauge the level of local support to the establishment of branches.

The first branch to be established was the Birmingham and District Branch, which was ratified by Council on 7th October 1919.

Branches were an important vehicle for attracting new members to the Institute, and keeping members outside London involved, and up to date on Institute changes. Each branch included a local President or Chairman, an organising Committee, Honorary Treasurer, and an Honorary Secretary.

Sixty years later, the Birmingham and District Branch was still going strong. Its Golden Jubilee meeting and dinner in November 1970 attracted some 500 members and their business colleagues. The guest speaker was Mr Charles Curren, then director-general of the BBC, who spoke on the importance of management information in proper planning and control of resources.<sup>16</sup> Even after sixty years, the power of the branch, to engage members and attract high calibre speakers, was as strong as it had been in 1919.

## Milestone 7: Appointment of the Institute's First President and Vice-Presidents

Date: 2nd December 1919

Lord Leverhulme was appointed the first Institute President at a Council meeting on 2nd December 1919. The appointment of Lord Leverhulme as President, who was a prominent industrialist at the time, added instant credibility and profile to the Institute and its cause.

Lord Leverhulme, a Bolton lad, born in 1851, had in 1886 established *Lever Brothers* with his brother James. The company they formed is today part of Unilever, and originally manufactured 'Sunlight Soap'. In 1888, the Lever Brothers established the model village of 'Port Sunlight', that provided their employees with housing and welfare close to the soap factory. Later, Lord Leverhulme served as a Member of Parliament between 1906 and 1909, was made a Baronet in 1911, and then served in the House of Lords.

The journey of Lord Leverhulme, 'From Grocer's Boy to Captain of Industry', meant that he really understood the power of Cost Accountancy, and he was able to articulate this passion at Institute public meetings and the annual National Cost Conferences.<sup>17</sup>

Lord Leverhulme died on 7th May 1925, and the May issue of *The Cost Accountant* paid tribute to his leadership of the Institute.

*The Institute owes more than can be expressed to the encouragement and sound advice it received from Lord Leverhulme in its very early life, and to the consistent support he since accorded it, not only in relation to its functions proper, but in its social affairs. The charm and ability with which he fulfilled his Presidential duties, the ease of approach and the geniality of reception, the real desire to help, the inflexible belief in the power of rightly applied principle, and the unselfishness which prompted him to encourage enjoyment when by reason of his deafness he could not participate — all these will remain as sacred memory and inspiring examples when kindly time has assuaged the overwhelming sense of loss.*

*By the service of its first President the Institute will be enriched for all time.<sup>18</sup>*

Also appointed in December 1919 were a number of other prominent industrialists to be Vice-Presidents of the Institute. These included,

- ▶ **Sir Robert Hadfield**; A metallurgist from Sheffield, noted for discovering and inventing the manganese-steel and low-hysteresis steel processes. At the time of his appointment he was a Fellow of the Institute of Mechanical Engineers and an active member of their Council.
- ▶ **Sir Charles Wright Macara**; famous for his Lancashire cotton-spinning factories and Chairman of the Manchester Cotton Spinners Association.
- ▶ **Sir Herbert Austin**; founder of the Austin Motor Company.
- ▶ **Mr Walter Howard Hazell**; Chairman of the Federation of Master Printers.

## Milestone 8: The Institute's inaugural meeting and first lecture series

Date: 7th December 1919

By the time of the first Institute Annual General Meeting (AGM) on 4th June 1920, an inaugural members' meeting and a series of four lectures had been held. These give a flavour of the Institute setting out its stall, and a blueprint for future member meetings. They took the form of a guest speaker presenting a paper that was followed by a chaired discussion.

At the members' inaugural meeting, on 7th December 1919, the lecture was on 'the requirements of costing as an aid to works management'. The lecture, held at the Hall of the Institute of the Chartered Patent Agents, was given by Henry W Allingham, a member of the Institution of Mechanical Engineers and The American Society of Mechanical Engineers. In the Chair was Sir Robert Hadfield, a newly appointed Vice-President of the Institute. Hadfield was also at the time a Council member and Vice-President of the Institution of Mechanical Engineers. Also in attendance was Mr W Howard Hazell, another newly appointed Vice-President of the Institute, and chairman of the Directors of Hazell, Waston and Viney, a printer and publishing firm.

The series of lectures that followed in early 1920 were also held in a hall at the Institute of the Chartered Patent Agents, Holborn, London.

Mr John Fells, described in the list of members as a 'Consulting Cost Accountant', and early Fellow of the Institute (member number 55), spoke on the subject of 'The interdependence of Costing and Economics' at the first lecture. Mr Albert Goodwin (Institute Fellow and member number 22), Secretary of the Federation of Master Printers of Great Britain and Ireland, gave the second lecture on 'The principle and practice of correct costing'. At the third lecture, Mr H G Simmons from the law firm Simmons and Simmons, set the scene on the topic of 'the liability of employers'.

The final lecture in the Institute's first year was given by Mr Montgomery Hemingway on the subject of 'costing for farmers'. Interestingly the session was chaired by Sir Herbert Austin, another Institute Vice-President and founder of the Austin Motor Company. At first glance, it appears strange that Herbert Austin, from the motor car industry, would preside over farm costing discussions. However, early on in his career Herbert Austin had been a manager of the Wolseley sheep-shearing machine company in the 1890s.

What the early lecture programme shows, is the wide remit of the early cost accountants, and how the Institute was able to become the catalyst in the pollination of new ideas and learning across diverse industries. At the Institute's first Annual General Meeting (AGM) it was noted that, 'All of which were exceedingly well attended, and considerable interest and enthusiasm had been displayed.'<sup>19</sup>

## Milestone 9: The Institute's 100th member

Date: 13th April 1920

The one hundredth Institute member was admitted as an Associate member on 13th April 1920. Mr John Slinn (Associate), based in Sheffield, was the 'Assistant to the Cost Accountant' at Cammell Laird & Co's Cyclops steel and Iron works plant in Sheffield.<sup>20</sup> In the nineteenth century the company was one of the world's largest iron and steel companies, with the Cyclops plant producing railway fittings in the form of wheels, springs and axles, and supplying armour plating for battleships.

Of the first one hundred members, two were located outside of Britain. Mr Arthur Ernest Lodge, admitted as an Associate in February 1920, was based in Claremont, Tasmania, Australia, and Mr Richard Walter Skeeles, admitted as an Associate in April 1920, was located in Cape Town, South Africa.<sup>21</sup>

Coincidentally, both men worked for confectionery manufacturers. Lodge was the Chief Cost Accountant at 'Cadbury, Fry Pascall Ltd'. He worked at the Claremont factory which was built in 1920. The factory had been designed to emulate the Bournville model village concept in Birmingham. It was located in Tasmania for its suitable climate, access to water for hydro-electricity generation, and a plentiful supply of fresh milk. From 1922, the factory produced Cadbury's, and Fry's, cocoa and chocolates.

Skeeles was the 'General Manager' for J & A Buchanan, in its Cape Town operations. Buchanan's, a Scottish confectionery manufacturers, had been established in 1856, and was famous for its toffees and fudge.

Of the one hundred Institute Fellows and Associates based in Britain, they were clustered around the main industrial cities. London had the biggest concentration of members with 38. This was followed by Birmingham and the West Midlands with 19, Sheffield with 9 and Manchester with 8. Across Scotland there were 7 members, and Belfast had 2 members.

## Milestone 10: The Institute's first Annual General Meeting (AGM)

Date: 4th June 1920

The Chairman at the Institute's first Annual General Meeting, Mr Ryall:

*...Congratulated the Institute on the fact that in spite of the difficulties of the post-war organisations, the membership had steadily grown. The increase in membership was such that, during the three months subsequent to the 7th March 1920, it was equal to the whole of the income for the past year, which, taking into consideration the fact that all applications for admission to the Institute had been most carefully scrutinised, and that over sixty per cent of applications had been deferred until such time as they could prove, by examination, their suitability, was most gratifying and encouraging for the future.<sup>22</sup>*

It was also noted at the meeting, 'that during the past 12 months, twenty-one meetings of the General Council had been held, in addition to the fortnightly meetings of the Executive Council.'<sup>23</sup> This work was carried out by passionate individuals, who believed in the benefits of cost accounting systems to industry and business, and wanted the world to know about them.

*'We desire, above all things, to emphasise that this is not a fee-collecting Institute, or a trading concern, but we do trust that Cost and Works Accountants generally in this country will realise the urgent necessity for them to come together, for the benefit, not only of themselves, but the industrial community as a whole. We realise that the costing profession has largely been neglected by employers, who in the past seldom encouraged their officials to specialise on this very important branch of their works. Consequently, those men who have occupied the position of Chief Cost or Works Accountant are, as a rule, not widely known. The war has brought out the great importance of this science with such emphasis that there is evidence of the professional accountant now wishing to appropriate this branch to himself.'<sup>24</sup>*

What was achieved in the first year built the foundations upon which the Institute sits proudly today.

# Establishing costing as a science:

## **1920 to 1938**

# Introduction

As the pioneer members of the Institute started to build its profile, reputation, and promote the benefits of cost accounting, Britain was in recession. By May 1921, the unemployment rate in Britain stood at 23.4 per cent, and by 1926 the country was in the grip of a General Strike.<sup>25</sup>

Around the world, individuals were trying to make sense and imagine what the post-war society would be. This was true for the Institute, as it busied itself, building a post-war society, where costing standardisation, and repeatable costing scientific methods were written down. This body of knowledge was then promoted to the wider community, through the syllabus, examinations, the journal and National Cost Conferences. The Institute provided a safe space, where costing refinements and new methods could be tested and debated, before being incorporated into business and industry costing systems.

From the descriptions of the role of the Cost Accountant and the discussions at Branch meetings, the members in those early years were based in the factories and industrial works of Britain and the world. They were hands-on individuals, at the centre of the factory floor, observing and recording machinery and people processes. Efficiency and driving down costs was their primary objectives.

It is interesting to note the large impact mechanisation had on the profession from 1928. Here, there were debates around whether machinery causes unemployment, and how man and machine should interact. Maybe individuals had been influenced by the images of automated dystopia contained in Fritz Lang's 1927 film, 'Metropolis'! The topic of mechanisation would be returned to again, in the mid-1930s during 'The Great Depression.'

The recognition of costing systems and cost accountants was slow to build. But, by 1926, 'Cost Accountancy' was given its own entry in the Encyclopaedia Britannica.<sup>26</sup> In 1937, the publication of the Institute's 'Cost Terminology' was a key milestone for the Institute. Finally, the Institute had defined the cost accounting space, and introduced an international common language that all cost accountants could converse in around the world.

The 'Costing Terminology' demonstrated that the Institute had arrived and was in the game for the long-term. It gave the Institute confidence in its abilities, so much so, that in 1938 the Research Committee was created. The Research Committee was a pledge, to build on the Institute's activities to promote the development and adoption of scientific methods in cost accountancy. But before, this new longer-term focus could take hold, war paralysed the world.

## Milestone 11: The Institute's first syllabus

Date: January 1920

Council appointed an Examination Committee on 29th April 1919, with Mr James Todman as Chairman. As part of their remit, they were given the task of writing the Institute syllabus. The first Institute's syllabus was agreed in early 1920, ready to be examined in June. However, the June examinations were abandoned, and the first examinations based on the Institute syllabus took place in December 1920.

After the first Examinations, Council approved the addition of 'Law Subjects' to the final level syllabus in 1921.

### Syllabus of Examination (1st October 1922)

#### Preliminary

Subject	Assessment
Mathematics	Decimal fractions; approximations and contracted methods of multiplication and division; ratios, proportion and percentages; powers, roots.
	Plane geometry, simple problems on the elements.
	Algebra, up to simultaneous equations, including simple and problems.
A modern language	Ability to translate an easy passage into English. (Optional.)
English essay	There will be a choice of subjects.
Book-keeping	As far as the preparation of the balance sheet.
Elementary mechanics	Work, friction, parallelogram of forces. Moments, Levers, Gearing; various forms of motion.

## Intermediate

Subject	Assessment
Mathematics	Algebra, quadratic equations, ratio, proportions, variation indices, logarithms, use of slide rule, simple arithmetical and geometrical progressions. Trigonometry: Ratios, sine, cosine, tangent, simple formulae and problems on height and distance. Use of sectional paper, equation of a line, plotting functions.
	Elements of mensuration, Area of a parallelogram, triangle. Circumference of a circle, area of irregular figures, Simpson's rule, Planimeter, Volume and surface of a prism, cylinder, cone, sphere and anchor ring, average cross-section and volume of an irregular solid.
	Position of a point or line in space.
Economics	Candidates are recommended to acquire a thorough knowledge of the outlines of economic science and pay special attention to the objects of the science and the meaning of the terms used.
Advanced book-keeping and accounts	As applied to industrial concerns.
Workshop knowledge	The generation, supply and transmission of power; the organisation of workshops; the computing of parts and weights from drawings; and an elementary knowledge of the construction and operation of machinery.
General business methods and organisation	Questions on general and departmental routine and systems as applicable to industrial undertakings.
Costing	<ol style="list-style-type: none"> <li><b>1. Labour:</b> Methods of remuneration, how calculated, and effect on production - Records of time and amounts, how obtained, entered and dealt with in cost records. Analysis of wages.</li> <li><b>2. Materials.</b> Organisation and control of stores-general and departmental such as: <ul style="list-style-type: none"> <li>- Raw materials stores.</li> <li>- General stores of completed items purchased outside.</li> <li>- Components or finished-part stores of items manufactured in the works.</li> <li>- Finished manufactured products and service stores.</li> </ul> </li> <li><b>3. General expenses.</b> On cost: works, selling and distribution, administrative, how collected and distributed.</li> <li><b>4. Methods of costing.</b> Process, job or terminal, operative or working, single or output.</li> </ol>

## Final

Subject	Assessment
Mathematics	The subject of the intermediate examination in more advanced stages.
Workshop knowledge	The generation and transmission of power, mechanically electronically hydraulically and pneumatically. The organisation and layout of works. The influence of design on costs.
Law subjects	A working knowledge of the following: <ul style="list-style-type: none"><li>▶ Employers' Liability Acts.</li><li>▶ Workmen's Liability Acts.</li><li>▶ National Insurance Acts.</li><li>▶ Factory Acts.</li></ul>
Costing	<ol style="list-style-type: none"><li><b>1. The general arrangement</b> and assembly and completion of a form of costs.</li><li><b>2. General expenses.</b><ol style="list-style-type: none"><li>(a) works on-cost.</li><li>(b) Selling and Distribution, Administrative. How ascertained, distributed or allocated.</li><li>(c) Comparisons and advantages of various methods of distributing works on-cost.</li></ol></li><li><b>3. Various methods and principles of cost</b> accounts in their application to various trades or industries.</li><li><b>4. Reconciliation of Cost Accounts.</b> Treatment of Capital Expenditure, Influence of efficient costing on the general policy of a business.<sup>27</sup></li></ol>

## Milestone 12: The Institute's second branch – The Manchester and District Branch

Date: 2nd March 1920

Council inaugurated the formation of the Manchester and District Branch, the second Institute Branch, on 2nd March 1920. It was closely followed by the opening of the Sheffield and District Branch in July 1920.

Branch meetings normally took the form of a guest speaker delivering a paper on topical costing issues of the day, followed by audience discussions. The papers from Branch meetings were often published in the *Institute Journal*.

Branches also organised tours of local members' factories and works, where the latest technologies and costing systems could be seen in action.

In November 1926, members of the London and District Branch had a tour of the Peek Frean and Co, biscuit manufacturers, thanks to the company's Cost Manager, Mr Donald L Moran. Peek Frean and Co invented the Bourbon biscuit in 1910 and would later make the wedding cake of Queen Elizabeth II, in 1947. The tour was not only educational, but delicious,

*'The wafer room' — There is something akin to fascination in observing the liquid batter transformed into crisp sheets of wafer, the change being effected by tongs travelling on an endless chain through gas heated ovens. The party were also shown the sandwiching of wafers and were invited to sample some of the leading lines which had been tastefully displayed for the purpose.<sup>28</sup>*

The London and District Branch members were again on a factory visit, in May 1928. They toured the Osram Works of the General Electric Company and spent a most enjoyable afternoon watching the manufacture of electric light bulbs.<sup>29</sup>

On 6th March 1933, the Liverpool and District Branch organised a visit to the Longbridge Works, home of the famous car manufacturers, the Austin Motor Company. Highlight of the tour was the Longbridge 'robot', housed in the production control room.

*Here the keynote was "a robot office layout for a super mechanised works." Power-driven multiplying and dividing machines for determining up to the minute employees' earnings and velocity rates of the time schedule, with automatic analysing machines for publishing as news and locating by cause the slightest tendency towards the abnormal. Here was an example of day-to-day policies being attuned to the certainties of facts.<sup>30</sup>*

*The Cost Accountant*, reflecting on the value that Branches brought to the Institute, believed they were its life-blood,

*The development of the branches, therefore, has always been a matter of close concern to the Council of the Institute, and every possible encouragement is given to any proposals which have for their object the provision of facilities for members and students to meet and discuss professional subjects and problems, to hear lectures and to participate in Works visits. In addition, the benefits accruing from social interaction are not to be overlooked.<sup>31</sup>*

## Milestone 13: The first Institute examinations

Date: First week of December 1920

In the first week of December 1920, the first Institute examinations sitting were held in London, Birmingham, Manchester, Glasgow and Sheffield.

The establishment of the Examinations system brought much needed credibility to the fledgling Institute. It also provided members with a benchmark on which they could be judged in their factories and places of work.

The examinations timetable was as follows:

### First day

Time	Preliminary	Intermediate	Final
10 to 12	Mathematics	Mathematics	Mathematics
2 to 4	Modern Languages	Economics	Mechanical Knowledge
4.15 to 6.15	Essay	Mechanical Knowledge	

### Day two

Time	Preliminary	Intermediate	Final
10 to 12	Book-keeping	Book-keeping	Costing Part I
2 to 5	Mechanical Knowledge	Costing	Costing Part II

The Examination papers from the first sitting have not survived. However, *The Accountant*, the journal of the Chartered Accountants in England and Wales, was given copies of the Intermediate and Final Examinations from December 1920 and published their structure.

**Five papers were offered at intermediate:**

<b>Paper</b>	<b>No. of Questions</b>	<b>Duration of Exam</b>	<b>Additional requirements</b>
<b>Mathematics</b>	10 questions	2 hours	
<b>Book-keeping</b>	7 questions	2 hours	5 questions only were required to be answered
<b>Economics</b>	8 questions	2 hours	
<b>Workshop knowledge</b>	10 questions	2 hours	
<b>Costing</b>	Part I.- 6 questions	50 minutes	4 questions only were required to be answered
	Part II.- 4 out of 5 questions	50 minutes	
	Part III.- 6 questions	1½ hours	
	Part IV.- 3 questions	45 minutes	

**The final papers were as follows:**

<b>Paper</b>	<b>No. of Questions</b>	<b>Duration of Exam</b>
<b>Mathematics</b>	6 questions	2 hours
<b>Mechanical knowledge</b>	1 out of 2 questions	2 hours
<b>Costing</b>	Part I.- 2 questions	2 hours
	Part II.- 11 questions	2 hours <sup>32</sup>

Again, the lack of surviving records makes it impossible to know how many candidates actually sat the first Examinations, but 'it was reported that 3 passed and 11 were given permission to sit again the subjects in which they failed.'<sup>33</sup>

## Milestone 14: The first female member of the Institute – Miss Miriam Sarah Neale

Date: 27th March 1921

Miss Miriam Sarah Neale was admitted as a Fellow of the Institute in March 1921. She is recorded as member number 272, in the first book of members. In the first week of December 1920, Miriam was one of the candidates at the first Institute examinations sitting, held in London, Birmingham, Manchester, Glasgow and Sheffield.

The *Institute Journal*, in January 1924, proclaimed that Miss Neale was the first female accountant to be admitted as a Fellow through the passing of examinations at any of the British accounting bodies.

*‘Miss Neale can truly claim to be the first woman Cost Accountant, if not the first Woman Accountant.’<sup>34</sup>*

From Watford, Miriam’s early career, from 1907, had been with an engineering company. In 1917, she started as a cost accountant at Allen & Hanburys Limited, situated in Bethnal Green, London. She rose to the position of Chief Cost Accountant, in 1923. Allen & Hanburys were a British pharmaceutical manufacturer which became part of the Glaxo Laboratories in 1958. The Bethnal Green factory housed the scientific research side of the business, and the plant made surgical instruments, and prepared pharmaceutical pills, tablets and capsules.

In 1948, Miriam became a Director of Penplas Industries limited. A factory based in Highbury, London, the company made low-cost fountain pens from 1947 to the early 1950s. Miriam retired in 1955. At the time of her death in 1984, aged 96, Miriam had been the Institute’s longest-serving member.<sup>35</sup>

The Institute’s second female member was Mrs Annie Alice King. She became a Fellow of the Institute in June 1924. At the time, she was Head Cost Accountant at the St. Clement’s Press Limited, based on the Strand, London. The St. Clement’s Press included a print works and editorial office. They had been responsible for the printing of the *Financial Times* newspaper since 1907 and the *Sunday Times* newspaper. Annie was educated at the Central Foundation Girls’ School and King’s College Strand School and married in 1909. Unfortunately, a year later she was widowed.

Spending most of her working life in the paper and printing trades, Annie retired in 1954. She died in March 1969, at the age of 82. Her obituary in the *Institute Journal* noted:

*Her career was one of which she could be justly proud considering the prejudice against working women in the ‘20s and ‘30s; her strength of purpose must have been remarkable to achieve the position of company secretary in 1946.’<sup>36</sup>*

Milestone 15: First issue of *The Cost Accountant*: the official journal of ICWA

Date: June 1921

The introduction of *The Cost Accountant* journal is a key achievement for the Institute in the establishment of costing as a science. As the official journal of the Institute of Cost and Works Accountants, it was the voice for the Institute. It was able to disseminate and encourage debate on the science of costing with members and the wider world.

The first issue included a foreword from the Institute's President, Lord Leverhulme.

The true and ascertainment of the actual "all in" cost of production, sale and distribution of commodities and service is the keystone of the central arch of the bridge that spans the chasm of possible business failure and bankruptcy. The days of "rule of thumb" are gone never to return — those happy days of ample profits that provided within themselves margins unforeseen and unforeseeable contingences attendant on business. The chapter of accidents render profits uncertain, even under the best system of well-organised, well-balanced and evenly regulated cost and works accountancy — but a business lacking such and carried on by rule of thumb is doomed to failure under even otherwise favourable conditions.

What the compass is to the mariner and in modern conditions of navigation as compared with steering by the stars or by side under old-world time conditions so is an efficient cost and works accountancy system to modern conditions of commerce.

Every businessman and firm in the United Kingdom has been placed under a debt of gratitude to the founders and organisers of "the Institute of Cost and Works Accountants" and to its Chairman, its Honorary Secretary, Mr. Ryall and the Council for their successfully founding the Institute and their forethought in now launching their official journal "The Cost Accountant," the first number of which we now welcome. Their prompt action in this meeting the wishes of their members for an official organ will draw Institute members more closely together as well as stimulating free and helpful expression of opinion on all subjects of interest to members thus providing a means of greatly extending a knowledge of the Institute and widening its sphere of influence for good on the trade and commerce of the Empire.

“The Cost Accountant” will give opportunity of teaching that profits or losses in business are not a matter of mere chance or so-called good or bad luck but are firmly based on value of service rendered with an accurate knowledge of actual costs of every service so rendered in relation to the value of the same on the open market. It will instil a knowledge of the dependency of profits on business methods and economies and the science, skill and ability brought to bear on business undertakings. It will teach that there are certain paramount laws of cause and effect must always dominate realisation of profits in every business venture, and that “chances” commonly called “luck” have little or no bearing on any situation. That no businessman can afford to disregard the laws of cause and effect without inviting disaster if not actual ruin upon his business. That any businessman who permits and tolerates for one moment slackness or carelessness on the subject of cost and works accountancy is depriving himself of the necessary courage that should enable him to take definite risks when circumstances require in order to achieve success in continuous business development.

A business without an efficient system of cost and works accountancy is like a motor car with a punctured tyre, and the wisest and indeed the only course to take with such a business, as with the motorcar, is to track until that evil is remedied. In neither case will the time and energy so spent be wasted and whatever time is spent thereon will be amply repaid by the possibility of improving speed thereafter. But besides the main question of arithmetical figures and calculations involved, there are other costs to be considered. It was truly said by John Ruskin that the man who believed merely that 2 and 2 make 4 and that under no possible circumstances could they make more or less than four and who left human nature out of his calculation would be wrong every time. “The Cost Accountant” will bring together the human element in cost and works accountancy — the men and women behind the desks to whom British Trade and Commerce owes so much for its success whether they be employers or employees — Chairman or office boys — and will knit all together in one common aim to attain success on the sound basis of “all for each” and “each for all” — and thus provide “a square deal” for each. And so, we all wish God Speed and a successful career of service and usefulness within and without the British Empire to the Institute and its Journal.<sup>37</sup>

## Milestone 16: The character of a cost accountant

Date: October 1921

This article, written by Percival Shott, F.C.W.A., F.C.I.S., defines the essence of the early Cost Accountants.

It happens frequently that a cost accountant, faithfully performing his duty to the management, unfortunately occasions no small measure of popularity among other members of the staff. His investigations, and the facts he brings to light, no doubt at times provoke criticism from a direction most unwelcome. Weakness or irregularities, if any, are brought out in the unpleasant relief when an actual cost account is consulted, giving not only the cost of the finished article, but the separate cost of each operation or process involved.

This aspect of his operations, however, should not be allowed to obscure or prejudice his activities in a, perhaps, much more important sphere; viz., that of facilitating production by timely information, and tactful warnings, given on his own initiative to the responsible members of the works' staff.

The successful fulfilment of this dual capacity calls for a character with the courage of conviction, combined with a proven reputation for goodwill, impartiality, and all else that goes to induce confidence and reliance from others.

It follows, therefore, that he must be tactful rather than autocratic, remembering that to be instrumental in avoiding loss is of more credit than a careful and exact account of the deficit.

Routine instructions, given to work officials without previous enquiry and consultation, inevitably meet with objection, and the common stumbling block so often made is the obstinacy with which an unconverted opposition will see the difficulties, rather than the advantages of a proposed change of method.

On the other hand, a Cost Accountant with technical knowledge and the judicious exercise of tact, will exhaustively discuss his proposals with those connected before putting them into operation; seeking to demonstrate their use and effect, and inviting criticism and questions.

Many difficult and necessarily complicated matters of routine and procedure can be instituted with little opposition if handled in the right way, and the obstinate obstructionist can usually be led to feel that the proposed emanated from himself.

It has been said, and often repeated, that the Sergeants are the backbone of the British Army. The simile can be applied to the position of foreman and charge hands in relation to efficient production in industry. Close cooperation and good relationship between the Cost Accountant and foreman should be encouraged, enabling difficulties to be quickly overcome and costing information utilised to the best advantage.

The necessity for particular technical knowledge by the Cost Accountant is imperative. In its absence, he will continually be “at sea” in his investigations, and altogether incapable of attacking his problems with confidence. Furthermore, ignorance of the practical side of the business will place him at a disadvantage should opposition be met.

Lastly, it is well to remember that character is strongly influenced by the nature of one’s work or employment. The comprehensive mass of figures a Cost Accountant is accustomed to handle, and the detailed work involved, are liable to induce a very circumscribed outlook.

Endeavour to guard against this natural tendency, as it is a certain barrier to the attainment of a higher managerial position, where a wide contemplation of affairs, and hampered by petty details, is so essential. On the other hand, attention to detail, with orderly, well-considered methods, must not be despised, but at all times cultivated as being ancillary to the preparation of reliable information, forming part of the several factors upon which the managerial point of view can be directed.<sup>38</sup>

Institute Vice-President, Sir Herbert Austin, addressing the Institute's second annual dinner, also touched on the essence of the Cost Accountant.

I am sure you must have felt in your work very often in the shops that you have been looked on as a sort of police-man: that whenever they saw the Cost Accountant coming around they thought, "Here is this chap who is going to pry into something or other, and he is going to find out how much these things have cost, and find out some faults which we have committed: and we will do everything we possibly can to stop him". I have seen many cases of a Cost Accountant in a Works treated as a sort of stranger, but I think that is a very great fault. It is bound to react against the value, individually, of your work; and I do suggest that you ought to cultivate on every possibly occasion a good personal feeling between yourself and other members of the staff in whatever Works you may be engaged. They ought to look on you, from the Manager right down to the shop foreman, as a man they can appeal to for help rather than as a man who goes about causing trouble. I believe, if you keep in mind, you will find the work not only will be a great deal easier, but you will find that your services are considered to be of very much greater value.<sup>39</sup>

## Milestone 17: First application for an Institute Royal Charter

Date: November 1921

The ambition for the Institute to attain Royal Charter status was first suggested at a Council meeting in November 1919. Mr Ryall was given the task of enquiring into the procedure and reported back that the application process was around £700. The cost implications were too much for the Institute in 1919, and the ambition for a Royal Charter put on hold.

The issue of a Royal Charter was again raised in 1921, and a Royal Charter Committee was appointed to prepare a petition submission and raise for funds for the application.

An article in *The Cost Accountant* by Ronald Smith, Barrister-at-law, highlighted the importance of the Royal Charter to the Institute.

*The grant of a Royal Charter at the present day constitutes a recognition by the highest authority that the public welfare is concerned in the activities and the prosperity of the body to whom the charter is granted. It is a privilege, therefore, highly prized, and when conferred upon the representative body of a profession may be truly said to indicate not only that the profession in question has arrived at its maturity, but also that it is one whose services to the community have been proved by experience to be of the highest value.<sup>40</sup>*

Work continued the application for another two years. At the fourth AGM of the Institute, on 8th March 1923, it was announced that the application for a Royal Charter had been made.

*Your Council have great pleasure in stating that the petition for incorporation by Royal Charter was lodged at the office of H. M. Privy Council on the 16th of January 1923. Some time will no doubt elapse before this comes forward for final consideration by the Privy Council. All members will, however, be duly informed as to its progress from time to time.<sup>41</sup>*

Unfortunately, the Royal Charter status was not granted in 1923, in part due to opposition lodged from several societies, and The Institute of Chartered Accountants in England and Wales (ICAEW). However, the ambition never disappeared, and the Institute would be rewarded with Royal Charter recognition, some 50 years later.

## Milestone 18: The Institute's First National Cost Conference – 'The Necessity for Scientific Costing'

Date: 3rd February 1922

The first Institute National Cost Conference was a small affair at the Holborn Restaurant in London. However, it provided a successful template for annual conferences into the 1980s. It followed the format of a speaker delivering a paper on a hot topic of the day, followed by a general audience discussion, moderated by a conference chair.

In the Chair for the conference was Institute Vice-President Lord Weir Eastwood, who started the proceedings:

*'Let me congratulate the Institute most heartily on its courage and enterprise in initiating and organising what I think is the first industrial costing conference ever held in this country.'*<sup>42</sup>

The paper, on 'the necessity for scientific costing,' had been prepared by the Institute's Executive Committee for the conference. It was read by Mr James Todman, Member of Council. Todman traced the history of costing accounting, and how the Great War had demonstrated to businessmen the necessity of scientific costing; a means during war-time to obtain adequate supplies through production on a national scale. He told the assembled audience:

*The lessons of the Great War and the subsequent period of Reconstruction have left an indelible impression on the mind of the manufacturer, and the advantage of Scientific Costing, once properly understood, are never likely to be overlooked by businessmen.*<sup>43</sup>

The rest of the paper examined the main features of a Scientific Costing System, and the aims of such a scheme. These were deemed to be:

- (1) Determination of True Cost
- (2) Provision of a Reliable Basis for Estimates
- (3) Control of Stocks and Work in Progress
- (4) Valuation of Work in Progress and Semi-finished Products
- (5) Provision of Statistical Information for the Guidance of Management.<sup>44</sup>

There then followed a lively discussion into the possibilities of a general standardisation of scientific costing throughout industry.

The Institute's annual National Cost Conferences would go on to become a trusted vehicle for publicity, as well as a forum for the exchange of information and experience between members of the profession. Throughout, the subjects discussed are a barometer to the latest developments in accountancy and other fields of knowledge at the time.

The *Cost Accountant* reported that:

*'The outstanding accomplishment of the Conference is the firm establishment of this Institute as the authoritative exponent of Costing, and the recognition of its appropriate function by manufacturing, financial, and administrative circles.'*<sup>45</sup>

Milestone 19: 'The New Accountancy' – A *Manchester Guardian* newspaper article

Date: 3rd November 1922

This article, from the *Manchester Guardian*, reported from an Institute branch meeting, at which the President, Lord Leverhulme, addressed the audience.

**THE NEW ACCOUNTANCY  
LORD LEVERHULME'S DEMAND FROM THE PROFESSION  
HUMAN FACTORS AND COSTS**

Lord Leverhulme, President of the Institute of Cost and Works Accountants, gave an address last evening at the Memorial Hall, Albert Square, Manchester, to members of the Institute and others, upon "Human factor influences on costs."

The Lord Mayor (Councillor E. D. Simon) presided over a crowded attendance. He said, and welcoming Lord Leverhulme to that meeting, they welcomed our greatest businessman to our greatest business centre. The system of industry which had grown up in the last century in this country was very much attacked for various reasons. It was rightly attacked in so much as we failed to deal with the great problem of unemployment and had not succeeded in assuring every willing worker that he could get a job when he wanted it. There were 40,000 unemployed in Manchester last year and there were 30,000 now, and a great many of those men had been unemployed for two years. That was under our present system of industry, and we could not regard our situation as satisfactory till that got over. There was one great thing it did. It proved for men of exceptional qualities, brains, and energy, who are capable of producing a commodity cheaply and effectively an opportunity of acquiring immense power and controlling a very great deal of production. The more he sort of business the more he was convinced that almost any business depended to enormous extent on the brain and energy at the top. One of the supreme examples of that they had in their president. (Hear, hear.)

Lord Leverhulme said that apart from the old branch of accountancy which dealt with the profit and loss items, they wanted men who had specialised on cost. The Institute was filling the gap most admirably. They found differences of cost in almost identical circumstances under different systems of management — no other difference.

It was the method of handling the human element and getting the best knowledge that we wanted for success in commerce. We found — those who had the opportunity of comparing statistics of different works — that the hard driver was not the organiser who could produce at a low cost. We wanted to bring out the best of a man to get the biggest production at low cost without any driving at all. We wanted to know more of this subject, and we got an insight into the matter in the case of Henry Ford. Last year it was reported that the firm had made — and he believes Mr Ford admitted it — \$75 million in one year. They knew he paid, in the process of making that amount, considerably more than the recognised trade union rate of wages, in some cases double that. He worked less than the recognised hours of most firms in the United States, while the price of these cars was the lowest in the country. He was said to have the biggest income of any man in the world.

Ford knew some system of cost and works, or he could not have acquired those results. Anyone going into the question of cost could make valuable suggestions to his clients. They knew deep intimate relationship that existed between the accountant and the firm. In the early days all the accountant had to do was see there were no clerical errors. Today the accountant had to estimate the financial footings of his clients. The accountant today had to advise his client without betraying the secrets of any other client. It would become a question of being made part of the firm's organisation and keeping a close eye on the cost of working—so close even that the effect would be seen of the change of manager or a foreman. He wanted to see members of the society in the relation of giving the head of the business financial advice on cost and works. When that was achieved we would in a few years wonder how we got on without it. We had to compete today with the United States and many other parts of the world, and he assured that cost accountancy, and the closest detailing of leakages was carried out in the United States today. That was a difficulty which remained to be overcome here.

Mr Clare Lees, President of the Manchester Chamber of Commerce, who proposed a vote of thanks to Lord Leverhulme, said his lordship had stimulated their imagination. He had shown them how vital it was to go down to the roots of cost and find out exactly where they were and put the concern on a substantially straightforward footing.

Mr Jenkins, a member of the Institute, seconded the resolution, which was passed.<sup>46</sup>

## Milestone 20: Institute representation in India

Date: November 1922

The *Institute Journal* in November 1922 announced that, 'Mr Charles F. Treeby, A.C.W.A, of Glenarm, Simla, has been appointed Hon. Representative of the Institute for India.'<sup>47</sup> This is the first reference to official Institute representation outside of Great Britain.

The Institute Bye-Law of May 1919 give more details of the role of appointed Colonial and Foreign Representatives.

Under Chapter VII — Colonial and Foreign Representatives:

*109. The duties of such representative shall be to receive and enquire into applications for membership from persons in the Colony or Country he represents, to verify the statements contained in the application and forward same to the Secretary, to arrange for meetings, lectures, examinations or social functions in the Colony or country authorised by the Council; also to report monthly to the Secretary upon the progress of the Institute in his district with an account of his expenditure.*<sup>48</sup>

Each issue of *The Cost Accountant*, on the inside of the back cover, included a list of Branches and Contacts. In 1926, reference to 'Institute Representation in India' is no longer included in the Branch list and contacts. The Institute Bye-Law states that representatives were appointed by Council on an annual basis, and it is possible that by 1926 the member was no longer based in India.

## Milestone 21: A new Institute constitution

Date: March / June 1924

In 1924, the Institute faced a cash deficit of £651, and was in danger of liquidation.<sup>49</sup> To stabilise the Institute, a scheme of reorganisation was proposed to the Fifth Annual General Meeting. The scheme embodied the principle of area representation and was designed to make the governance function more democratic. It also covered the number of Council members, qualifications for membership of Council and nominations to Council.

1924 was a pivotal point for the Institute as it moved, 'from an organisation which was run by a small group of individuals taking decisions as they saw fit, to a more bureaucratic and democratic organisation.'<sup>50</sup>

An outcome of the scheme was the resignation of Mr Ryall, as Honorary Secretary of the Institute. Mr Ryall had been one of the seven founding individuals back in February 1919 and had occupied the position of Honorary Secretary of the Institute since its inception, in March 1919.

## Milestone 22: Appointment of Mr Stanley J.D. Berger as Institute Secretary

Date: June 1925

When Mr Stanley J.D. Berger was appointed as Institute Secretary in June 1925, he was only the second person to hold the position as a permanent full-time, salaried member of Institute staff. It was a position, first as Institute Secretary, then as Director of the Institute, Berger would hold for 33 years. Berger retired in 1958. His tenure brought stability and continuity to the Institute in an ever-changing world.

When he joined the Institute in 1925, there were fewer than 500 members and a few hundred registered students. By his retirement, 'the number of members and registered students increased 20-fold.'<sup>51</sup>

Berger led the Institute through the dark days of the Second World War and served on the British Government's official Accountancy Advisory Committee on the training and engagement of costing staff. He also participated in the government's education scheme for resettling returning servicemen.<sup>52</sup>

In the 1950s, Mr Berger was secretary to the Anglo-American Council on Productivity, whose report established 'management accounting' as an accepted phrase and concept throughout British industry.

On his retirement, Mr Berger sent a personal message to the Institute membership:

*To the Institute I devoted the major portion of my life, but the Institute could not have survived it all without the prolonged and faithful service of many members. From the early pioneer days to the present time there has always been a high percentage of members who have served the Institute in countless ways. This is also true of the members of the headquarters staff. To these I would like to express my deep and lasting appreciation. Although my responsibility to the Institute has come to an end, my task, commenced 33 years ago, has still to be continued. Given the same goodwill and co-operation in the future as has fallen to my lot in the past, the Institute is, I am sure, destined to play an important part in the prosperity of British industry both at home and abroad.*<sup>53</sup>

On his death in 1976, the *Management Accounting* journal described his contribution to the Institute's development:

*In the 57 years of the institute's existence, many have contributed to its growth and development, but Stanley Berger's was by far the greatest single contribution, extending as it did from the institute's very early years, when it was a small and comparatively obscure organisation, to the late 1950s when the place of the Institute in the industrial and economic life of many nations was a secure and honoured one.*<sup>54</sup>

## Milestone 23: The Institute's second President – Mr Walter Howard Hazell

Date: 27th November 1925

The position of President remained unoccupied between May and November 1925, out of respect to the Late Lord Leverhulme. Then, at a Council meeting on 27th November 1925, Mr W. Howard Hazell was appointed President of the Institute of Cost and Works Accountants.

Responding to the appointment with an article in *The Cost Accountant*, Howard Hazell wrote, 'If I were a dictator, one of the first things I should do in order to benefit industry, would be to pass an edict that every manufacturer must have a good costing system for his works.'<sup>55</sup>

Mr Hazel was at the time of his appointment the Chairman of the Directors of Messrs. Hazel, Watson & Viney Limited, a publishers and printers based in London and Aylesbury. He had also been President of the Federation of Master Printers, and President of the London Alliance of Master Printers, where he chaired the Federation of Costing Committee.

His assessment of the Institute on his appointment suggested an exciting future.

*The Institute of Cost and Works Accountants has accomplished much good work, but much more remains to be done. The Institute has brought many benefits to its members and raised the status and influence of the Cost Accountant, but at the same time the work for the Institute has a greater, wider and more valuable influence in raising the efficiency of the industries in this country. If the enthusiasm of the members of the Institute meets with its just reward, and their ideals are attained, it will become a great and important body in the commercial life of the country, and industry will have benefited enormously by the activities of the members and the same principles they have advocated.'*<sup>56</sup>

On his death, in May 1929, the *Institute Journal* paid tribute to their late President.

*Mr Hazel attended several of our functions and those members who heard him speak will remember his peculiarly apt gift of exposition. He was a public-spirited man and threw himself with great energy into every movement which claimed his interest.'*<sup>57</sup>

## Milestone 24: A call to arms

Date: 16th March 1926

A passionate letter from Mr F C Lawrence, called members to action.

### **To the Editor of The Cost Accountant**


Dear Sir,

There are many sides or aspects of Costing which have not yet received the attention or investigation which they not only merit, but which they demand. We must admit that we have taken for granted that certain methods of costing are fundamentally sound, merely because they appear to be. We have not in all cases proven methods. The time will come when we shall no longer be able to justify our existence as Cost Accountants unless we produce proof of the validity of every one of our methods. But, at the present time, there are matters of more pressing urgency.

Whether we be employed as consultants or as permanent officials of companies, our work consists of the design, installation and effective use of sound methods of Costing. Do we all realise that we have to sell our services?


Furthermore, the majority of manufacturers today do not realise the extent to which Costing can definitely help them to bring about extensive economies. They do not see that Costing can be more effective in that direction than Financial Accounts. They do not appreciate the essential differences between Costing and Accountancy. It is up to us to show them.

This then, is the call to arms; that every member of the Institute should collect all the examples of cost reduction in which he has had a hand, write them up, stating the methods employed, the savings made, either in a lump sum or annually recurrent, and forward his report to the Institute, so that the whole may be collected into suitable form, indexed as to trades and methods, are made available for reference. They might even be published in THE COST ACCOUNTANT. The interchange of ideas and experiences thus accomplished would, incidentally, add zest to our own activities and make us all more eager to find out where we can extend our influence and accomplish more in our own particular spheres.



It is easy to suggest such schemes, but to carry them out demands the co-operation of the whole of the members of the Institute. There is, in each one of us, to a greater or less degree, and inevitable inertia, which tends to make us prefer to applaud the efforts of others, rather than exert ourselves. This must be overcome. If there are any who read this and should happen to think, "That's a sound idea," let them bestir themselves, without delay, and do their part, before they are overcome by the comfort of their office chairs. However sound and well-established your own job may be, the advance of Costing depends to some extent upon you. In fact, because you are well-established it is the very reason why you should do something to help others to become so, by telling them how you managed it! You have it within your power to inspire the younger members of the profession, in whom the future prosperity of the Institute and its work rests.

Many who should be vitally interested do not know the very definite advantages to be derived from accurate and proven methods of Costing; others apathetic; others again are satisfied with inferior grade methods; we are faced with competition which, left unchallenged, will ruin our chances of advancement; our experience can be made of untold value to the rising generation of Cost Accountants. We have to sell our services, our experience and our ability. In order to sell, we must advertise. Give, then, to the Institute and your Fellow members, what is necessary for advertisement.<sup>58</sup>



## Milestone 25: The cost accountant's tool – The slide rule

Date: April 1926


The editorial and front page of *The Cost Accountant*, in April 1926, was devoted to the Slide Rule.

It is unlikely that there are many engineering works in this or any other country where the slide rule is not used every day. Almost every draughtsman would as soon be without his set square as try and do his day's work without his slide rule. This instrument is one of the most useful tools possessed by either engineer or draughtsman and it is rapidly finding its way into many other hands. It is a great time saver as well as an effective preventative against brain fag when many calculations have to be made. The skilled user works out calculations with ease and rapidity which is at once the envy and despair of the novice.

The slide rule is designed to assist in making many different kinds of calculations. A very useful rule has been in use for many years in connection with the paper trade and quite recently a circular calculator has been invented for making paper calculations. Chemical formulae find an easy solution by one rule and there is another which converts the coinage of one country into that of two or three others, besides providing the means of finding prices of commodities both by weight and measure.

The coinage of Great Britain does not readily permit of the use of mechanical means of calculation, but the conversion of shillings and pence into decimals of a pound sterling is a mental process speedily accomplished, and these decimals are as readily again turned into shillings and pence (if necessary) when the calculations have been made. There is a simple slide rule which does these calculations of conversion.


The ease with which decimals are added, subtracted, multiplied and divided should bring about a more general use, and make it possible to take advantage of mechanical calculators.



The Cost Accountant will find a slide rule of the greatest possible assistance in many ways. When first examined it appears to be a bewildering series of upright parallel lines varying in widths, but the principles which control it are simple and quickly learned. It will divide, multiply and work out proportions quite easily. Percentages are worked out by it with rapidity and when the rule is set for any figure the percentage amount on any sums may be read off the rule as quickly as the cursor can be moved along.

For heads of Costing department's who may be desirous of getting approximately and quickly a check on the figures supplied by their assistance no better could be desired.

For all internal purposes there does not appear to be any reason why decimalisation of coinage on the lines indicated above should not be a general practice. There is certainly a greater facility in the handling of figures and there would be fewer mistakes made. In the majority of cases three places of decimals would be satisfactory. Even if still greater accuracy were necessary decimals would be simpler than fractions of a penny.<sup>59</sup>



## Milestone 26: Cost accountancy – The value of facts to successful trading

Date: 14th October 1926

The following article appeared in the *Manchester Guardian* newspaper and profiled the opening of the fifth Institute National Cost Conference.

The Annual Conference of Cost Accountants is being held this year in Manchester, and at the meeting tomorrow in the Midland Hotel the Institute of Cost and Works Accountants proposes to discuss “modern developments in costing” and the problem of “campaigning against waste”.

Both these subjects should command themselves to the business public, for, while on the one hand Cost Accountants have found it necessary to perfect the instrument whereby cost criticism can be carried on, in the second place it is well to have in mind one, at least, of the principal objectives in view — the elimination of waste in industry.

Great strides have been made in cost accountancy in recent years. Much pioneer work has been done in exploring the ground and ascertaining the facts of production. The old ignorance and the well-meant but somewhat slipshod and groping attempts in the dark made by unqualified persons, dealing with masses of generally unsystematised facts, are disappearing. Nonetheless, there is still much to do, and it is to be hoped the Conference will preach this missionary business gospel effectively.

Whenever a business finds itself in difficulties either owing to lack of suitable markets or inability to obtain orders in competition with other firms at remunerative prices, the directors, provided they are making a determined effort to retrieve the lost position, invariably seek for more detailed information than they may have thought hitherto, under more prosperous conditions, they required. They will want to know whether the falling off in the number of enquiries has been general or only in particular directions, and, if so, in which directions. If their quotations have been rejected or orders lost because the price was too high, they will want to know how those prices were arrived at; how much represented materials, what prices are being paid for materials, how much for labour and how rates of pay compare with pre-war rates, and to what extent indirect workers'

wages are included; whether they are employing more indirect workers than necessary. Still more will they want to be supplied with full particulars of the various expenses of the business.

They will, in fact, concern themselves far more intimately with detailed management than in less strenuous times, when a reply in the affirmative to the query, “is everything alright?” was often as much as they wanted to know.

Another question is insistent today, “Will our quotations eventually realise a profit?” Now, the whole structure of an estimate depends upon the accuracy of its parts, and this in turn depends upon a proper grouping of expenses and the allocation to an order of those which are simply appropriate to that order. The old idea of a rough average and “making the swings pay for the roundabouts,” is being found quite inadequate to deal with the special difficulties of the times. The alternative of finding out competitors’ prices — and taking something less — is far more likely to result in a loss than a profit, while, on the other hand, the competitor, who may have fixed his price upon an exact knowledge of his costs, may be using knowledge to reduce his costs to a minimum, and so obtain the double advantage of maintaining a just price and cutting out that unnecessary waste which may make all the difference in ultimate success.

The old Manchester adage that “selling prices are fixed in the market and bear no relation to costs” is taking an unconscionable time to die for two reasons — first, that there is some amount of truth and therefore life in it; and, second, owing to a foolish misunderstanding of what the cost accountant says. No cost accountant ever suggested that costs fix prices. All he says is that ascertainment of costs is absolutely essential if a proper price is to be fixed. Other factors may, and do, enter into this price-fixing, but what the cost accountant says is that a true knowledge of costs is the basic fact. This is the commercial field for cost accountancy and it is a large one.

On the manufacturing side with which the Conference will probably deal more particularly in the afternoon, there is a large scope for the cost accountant in his ability to detect waste. The newer developments on this side carry the idea of costing much further than the old manufacturer did.

The old manufacturer was still living under the domination of the idea of “labour“ being the chief factor in costs — a traditional idea handed down from the 18th century. He was not fully alive to the immense effect which the production of machinery and steam and electric power had made in his costs. A combination of causes brought this about. First, in many cases he was very successful, owing to his trading in virgin markets; secondly, there had been no incentive to accountants to develop scientifically this somewhat complicated work of costing. The war gave an extraordinarily fillip to the latter and has indirectly put a potential instrument of great value in the hands of manufacturers. Accurate records of production are themselves immense step to enlightenment, but the understanding of the influence which machinery — its running and its non-running, its efficiency and its non-efficiency — has on costs is only gradually emerging into daylight.

It may be found that the same operation is being carried out on four identical machines, and that the cost is made up of the average cost of the four machines; but, the costs tell us were it not for one of these machines turning out only two-thirds as much as the others the cost of the product would be so much less, and the work would in fact have shown a profit. Another illustration: in attempting to find how much of a certain chemical was used in a process during a year, the purchases of this chemical were extracted for one year and for five years as a check; it was discovered that there had been almost double the quantity used during the past year — a fact which very quickly led to the tracing of a leaky pipe and, incidentally, the stopping of a loss of several pounds a day from this cause.

No cost accountant holds that cost accounting is a panacea for all our ills, nor is so foolish as to pretend for one moment that the qualities of energy and enterprise must not always be the basis of the business fabric. All they contend is that accurate knowledge of the facts, leading to just conclusions, will greatly assist in maintaining the supremacy of British trade and its utility, in the long run both to buyer and seller.<sup>60</sup>

## Milestone 27: Modern developments in cost accounting – The Fifth National Cost Conference

Date: 15th October 1926

For the first time, the fifth National Cost Conference was held outside of London. It made sense at the time; of the nine Institute branches, the Manchester and District Branch was by far the largest and most active. Manchester also lays claim to the first Institute Council meeting held outside London, which preceded the National Cost Conference on 16th October.

The Institute President, Mr Howard Hazell opened the conference by explaining the significance of its location:

*‘We believe by holding the conference in Manchester we shall arouse a still greater interest among manufacturers and employers in this vast and important area, in the hope that they will be more willing to investigate scientific costing to the great benefit and the industry of the nation as a whole.’<sup>61</sup>*

Held at the Midland Hotel, the conference included, for the first time, an exhibition of the latest office appliances and machines used and connected with costing. Companies exhibiting included The Accounting and Tabulating Corporation of Great Britain, The British Tabulating Machine Company, Brunsviga Calculators, Burroughs Adding Machines, Comptometer Concessionaires, The Copeland-Chatterson, Elliott-Fisher Company, Giedbill-Brook Time Recorders, The Hayward Company, International Time Recording Company, Kalamazoo, Kardex Visible Record Systems, Kenrick and Jefferson, Munroe Calculating Machine Company, Simpson & Dickens and Gilbert Wood.<sup>62</sup>

The main paper of the conference, 'Modern Developments in Cost Accounting', was presented by Mr Peter Griffiths F.C.W.A. (Chairman of the Birmingham District Branch) and Harold Wilmot F.C.W.A. (Manchester and District Branch Committee member). It concluded with three thoughts for the assembled audience.

- (1) ***The relationship of Cost Accounting to the attainment of Peace in Industry*** — *Most industrial unrest is rooted in suspicion, which is the offspring of ignorance by discontent. Cannot Cost Accounting offer some substantial help? How do we stand with regard to the doctoring of Exposed Costs?*
- (2) ***The valuation of Stocks and Work in progress*** — *Are we to cling to the time-honoured formula, "Cost or market value, whichever is lower," whereby dividends may be paid out of inefficiency, or are we to explore the advantages which "Standard Costs" have to offer?*
- (3) ***The Standardisation of Costing nomenclature*** — *For how long must we continue to talk in the language of Babel? To serious efforts to remedy this had been launched in recent years — one by our Institute, and one by the National Association of Cost Accountants in the USA. There has also been published recently a dictionary of Cost Terms, which, although a private effort, must be regarded as a step in the right direction, and a further incentive to the official body.<sup>63</sup>*

One conclusion in the conference paper, around technology, is something we are still wrestling today.

*It would not be fair to conclude any survey (however brief) of modern development and cost accounting without paying tribute to the wonderful progress which is been made in the sphere of office machinery and appliances. I do not think it exaggeration to say that advancement in the philosophical sense is largely, nullified unless there is collaterally, a balancing progress in methods and machinery. Indeed, I would go further and state without fear of contradiction that it is more than possible that latent capabilities of the most modern accounting machines have been no mean factor in the genesis of the present philosophy as to the place and function of Cost Accounting in industry.<sup>64</sup>*

## Milestone 28: Institute Honorary Membership

Date: 31st March 1928

In the Institute Bye-Laws of 1919, Bye-law 38 related to Honorary members.

38. **The Council may in their discretion elect as Honorary members of the Institute persons whether practising as Cost Accountants or not.**<sup>65</sup>

By 1928, the Council had made nine individuals Honorary members

- ▶ **Sir William Ashley** — Vice-Principal, The University of Birmingham.
- ▶ **Colonel Sir E A Brotherton** — Brotherton & Co, Leeds.
- ▶ **Sir John Hunter** — Managing Director, Sir William Arrol & Co, Glasgow. (President of the Scottish Branch).
- ▶ **Summer Hunter** — Chairman and Managing Director, The Northern Marine Engineering Co, Wallsend-on-Tyne.
- ▶ **Lieut.-Colonel Sir John Keane** — based in Cappoquin, Co. Waterford.
- ▶ **Thomas Patrick Laird** — Professor of Accounting and Business Methods, University of Edinburgh.
- ▶ **Sir James Marr** — Chairman, Joseph L Thompson & Sons, Sunderland.
- ▶ **B. Seebohm Rowntree** — Acting Chairman, Rowntree & Co (President of the Leeds and District Branch).
- ▶ **Alexander Spencer** — Director of The Federated Rubber Growers and Manufacturers.

These individuals from industry and academia added profile and goodwill to the Institute, in its early days. The practice was phased out from 1931.

## Milestone 29: Does machinery cause unemployment?

Date: February and April 1928

In the February 1928 issue of *The Cost Accountant*, an article by Mr Thistlethwaite stressed:

*We have accepted machinery as an essential part of modern life, and hardly realise that the question is still a vital one, for machinery does, or does not, cause unemployment entirely according to circumstances, and, since circumstances may change, machinery may maintain employment at one period and cause unemployment at another.*<sup>66</sup>

Mr Howard Hazell, an Institute Vice-President, responded to the concerns raised by Mr Thistlethwaite, with an article in the April 1928 issue of the journal.

*The industrial position has changed very seriously since the war. The million unemployed are a serious menace to the well-being of the community, and individually are suffering in many ways. Happily, the same million workers are not always unemployed, as they obtain work from time to time, though some are idle for many consecutive months. This unemployment should not be attributed to the use of labour-saving machinery, but to the results of the war and the aftermath of war.*<sup>67</sup>

Howard Hazell concluded:

*The use of machinery has been one of the causes by which it has been possible to raise the standard of living, to shorten hours and to pay higher wages. I believe that the greater use of machinery in the factory can bring still further advantages to humanity, if the leaders of Capital and Labour have the wisdom and the foresight to direct with sagacity the joint efforts of the two partners in industry, and to find a solution for the many problems in industrial relations which hinder our return to prosperity.*<sup>68</sup>

What is interesting, is that the debate started in 1928 is still today, 90 years later, a hot topic of discussion globally. The issue of automation has been a recurring theme for Cost and Management Accountants throughout the last 100 years.

## Milestone 30: Ninth National Cost Conference — Why cost accounting is vital to effective management

Date: 24th and 25th October 1930

By the time of the Ninth National Cost Conference, it had grown into a two-day event. Held in Sheffield at the Victoria Station Hotel, the first day included a private session for Institute members only, a public session for 'Business Executives', and the Annual Dinner of the Institute. The second day was another private session for Institute members.

Even lady visitors, accompanying conference delegates, were catered for. They were treated to a visit to Messrs Mappin & Webb Limited of Sheffield, to tour the silver-plating works and showrooms.<sup>69</sup>

The public session for 'Business Executives' on 'Why Cost Accounting is vital to effective management' was chaired by 'the Master Cutler of Sheffield', Mr P Brown, and Institute Council Member, Mr R Dunkerley F.C.W.A., presented the conference paper.

Dunkerley told the conference delegates that cost accounting was a means to an end that management must use. He concluded:

*It is realised that the mere production of costs and statistics, even when they are produced within a few hours of performance (modern cost systems provide this), do not in themselves provide management with the answers to their problems. Accurate facts are, however, a very solid foundation for the discussion of any policy, whether this be reduction of expenses, increasing plant, the alteration of prices, the elimination of unprofitable lines, the cheapening of the cost of manufacture by the selection of the cheaper or more efficient methods, or the problems of capital investment.*

*When the information supplied by an efficient Costing System is supplemented by the assistance of a sound qualified Cost Accountant, management has most of the materials it needs to produce its real output — efficiency.*

*It is my belief that never before have we felt the need for good industrial management as we do now.*

*Management in this country is second to none in enthusiasm and ability, but unless it is willing to use the information provided and make its decisions on the positive facts revealed rather than on impressions and the conjectures, it will fail the State when its help is needed most.<sup>70</sup>*

The standard of debate had moved on, since the first National Cost Conference eight years earlier. Institute members were no longer having to justify scientific costing and had moved on to focus on how the outputs of costing systems affects management decision.

## Milestone 31: The cost accountant of tomorrow

Date: May 1931

A role of the Institute has always been to challenge complacency among its members and look to the future. In this article, Roland Dunkerley focuses on the Cost Accountant of tomorrow.

*The profession of the cost and works accountant is, in its modern form, comparatively new. Its day-to-day development is, therefore, so rapid that he who would correctly forecast its next phases would be a prophet indeed.*

*The Cost Accountant of tomorrow will be amongst those who guide industry from the managerial aspect. He will do this by interpreting his figures, city stocks, costs and records into terms which will indicate not only what has transpired, but what lessons can be learnt. His interpretation will say what the effect of current policy and administration is, and he will indicate what the result of proposed policy will be, for managements in the future will need to know the probable effect of their decisions before these are put into operation.*

*This will demand from the Cost Accountant a change of outlook and methods. He will find it imperative to set up standards against which attainment can be measured. The setting up of a standard will require his very close connection with the efficiency, technical, engineering, planning, progressing and sales departments. He will be in constant touch with the facts of every part of the business, and for this reason his advice will be accepted with confidence.*

*To do this work efficiently and economically and to obtain his information quickly he will require the assistance of and exploit to the full all scientific office machinery and methods.<sup>71</sup>*

Dunkerley concludes:

*One envisages industry of the future as being conducted on policy as formulated by informed advisers; amongst these advisers there can be no doubt that the Cost Accountant of tomorrow will take his place as a member of the board.<sup>72</sup>*

## Milestone 32: 'Probity, Accuracy, Justice'

Date: 5th October 1932

Since May 1931, Council had been considering a design for Armorial Bearings of the Institute, with each member of Council being invited to suggest suitable symbols and motto. In October 1932, the new Armorial Bearings and Badge of Office of the Institute were granted under Letters Patent by the Royal College of Arms.

The Institute's new motto 'Probity, Accuracy, Justice' was selected to evoke the spirit of service that inspires and pervades the work of both the Institute and of its members.

The Coat of Arms, visually represents and symbolises the work of the Institute Members. Symbols on the Coat of Arms include:

- ▶ **Callipers** — Precise measurement
- ▶ **Book** — Recording and Interpretation
- ▶ **Scales** — Truth and Impartiality
- ▶ **Sun** — The diffusion of light on
  - (a) Bees — Industry
  - (b) Gold coins — Commerce
  - (c) Wheatsheaf — Agriculture.<sup>73</sup>

## Milestone 33: Mechanisation


Date: August 1933

The issue of mechanisation was a hot topic in the mid-1930s. Newspapers were full of scare stories concerning the disadvantages of mechanical aids in modern life. The symptoms of the world economic downturn labelled 'The Great Depression' was seen as in part due to machines and the replacement of labour. It is in this climate that *The Cost Accountant* devotes its Editorial to Mechanisation and the Cost Accountant.

Every Cost Accountant has to face the problems which arise from time to time in connection with the methods and routine of cost finding. Business can never be a static affair. Its nature and requirements are subject to constant change. In like manner, its demands on the Cost Accountant call for a degree of flexibility in outlook which should result in a never-failing preparedness to mould cost accounting service to the current needs of enterprise.

The advent of the office machine age and the application of machinery for accounting and statistical purposes has brought in its train a number of special problems which the Cost Accountant cannot afford to overlook. Never should the introduction of office machinery be regarded as an excuse for sitting back and "watching the wheels go round." Usually it is necessary to design the routine to suit the machine. When this has been done and the work is progressing smoothly the relief which the machine gives to the human must be regarded as an opportunity for thought and research.


It is axiomatic to say that intelligent mental concentration in research is one of the fundamentals to progress. The fact that in the realms of business nothing is ever done in the ultimately best way should serve as a stimulus to study and research. Office machinery can remove the load of routine and provide time for such mental effort.



The public press has recently been much concerned with the so-called disadvantages of mechanical aids in modern life. Relief for the human from the drudgery has been referred to as the replacement of labour. The truth of the matter probably is that, whilst the symptoms of the present economic malaise have been noted, the course has been wrongly attributed to the Machine. The world has not yet learnt to use the time saved by machinery in mental rather than manual effort.

This is certainly true in a large measure where office machinery is applied. We have to learn to train mental workers to use to full advantage the more detailed and up-to-the-minute product of the office machine. This means more workers engaged in mental processes and fewer office drudges.

The Machine should always be the servant of Man — never his master. That the Machine is in some measure of the master of the present situation is due to the fact that man has not yet learnt to view with intelligence its product.<sup>74</sup>



Milestone 34: His Royal Highness, Prince George attends the 12th annual banquet of the Institute

Date: 20th October 1933

The presence of His Royal Highness, Prince George as the principal guest at an Institute banquet demonstrates the increasing profile and authority the Institute had achieved.

Prince George was the fourth son of King George V and Queen Mary and at the time of the banquet was fifth in line of succession to the British throne. In 1934 Prince George became the Duke of Kent.

**The Prince proposed the toast of the Institute:**

Mr. President, My Lords, ladies and gentlemen, I must first thank you for the very kind terms in which you have proposed this toast. I have the honour to propose the toast of this Institute, and I am so glad to do so at a time when the long-expected trade revival is, at last, beginning to show itself.

At present the most promising signs of this revival are in this country, and it is to be hoped that it will continue to spread throughout the Empire, and the whole world.

Our high standards of integrity in commerce and finance has remained unimpaired throughout the long period of economic depression, from which we are now emerging, and the factors which have contributed to this are to be found in the stability of our financial institutions, and also in the high order of service rendered by the accounting and allied professions. (Applause.)

The accountant has done much to promote a high degree of integrity in business life, and in doing so he has contributed, in no small measure, to the financial reputation which our country has secured in the eyes of the world.

(Hear, hear.)

The example of enlightened public service afforded by the financial accountant provides an inspiration for every branch of the accountant's profession. It sets a standard which, I am convinced, will be readily accepted by the cost accountant.

Although the work of the cost accountant must differ from that of the financial accountant, it affords many opportunities for useful service.

The financial accountant deals mainly with the external relations of his client with his business. He ascertains the trading results, and the financial position of the business with which he is engaged.

The cost accountant is concerned mainly with the internal economy of industrial undertakings. He must have an intensive knowledge of the industry, or industries, in which he is in gauged, and be able to apply it to every operation of the works or factory.

He must interpret in terms of cost every phase of activity; he must provide a liaison between the men who produce and the men who sell; between the men who control departments and the man who managed businesses.

I understand that many businesses now prepare budgets. They ration their departments and see to it that the cash and expenditure is not exceeded. The cost accountant plays a prominent part in this rationing, and in the subsequent control of expenditure.

One cannot help being impressed by the achievements of British industry in cheapening many of its products, and so assisting export, and making commodities available to an increasing number of consumers.

A vast amount of research is required to do this, not only in the sphere of science and engineering, but also in accountancy.

The findings of the scientist and the engineer could not be used for commercial purposes until they had been investigated by the cost accountant, and the cost accountant must co-operate in the development of business efficiency.

It is not difficult to realise how great must be the possibilities of the cost accountant in the exercise of such functions in the future.

I have been greatly interested to hear of the history of the formation and development of your Institute, and especially to know how that, notwithstanding the high standards of your examinations, your membership is steadily increasing.

The fact that young men are preparing themselves for useful service in our industry and commerce is most satisfactory, and, in proposing the toast of the Institute of Cost and Works Accountants, I hope that this Institute, and the profession which it represents, will continue to flourish and render increasing service to our economic life.  
(Hear, hear.)<sup>75</sup>

## Milestone 35: The cost and works coach holiday

Date: 16th to 23rd May 1936

The London and District Branch of the Institute announced in January 1936 it was planning a week's motor coach tour of Midland towns, with visits to industrial plants of importance. With an estimated cost of £5, that covered travel, meals and accommodation, the tour included:

- Saturday 16th May** — Leave Ealing and travel to Gloucester
- Sunday 17th May** — Depart from Gloucester and proceeded by the Wye Valley to Chester
- Monday 18th May** — Tour of Port Sunlight
- Tuesday 19th May** — Visit to towel and rug factory at Bolton
- Wednesday 20th May** — Visit to Bolsover Colliery Co., Ltd, Thorsby Colliery in Sherwood Forest. Inspection of surface works and short-term or underground
- Thursday 21st May** — Visit to Steel Peech & Tozer's Steel Works, Sheffield
- Friday 22nd May** — Tour of Austin Motor Works, Birmingham
- Saturday 23rd May** — Return via Oxford, visiting colleges Saturday afternoon.<sup>76</sup>

Reporting on the Holiday Tour, the Institute noted:

*The experiment has passed its tests with flying colours and there can be no doubt that it will be repeated on many future occasions with keen competition for places in the party. The spread of ideas within the Institute is foreseen, for it has provided a powerful influence, engendering social solidarity and at the same time furnishing both members and registered students with unparalleled opportunity of acquiring knowledge and experience.<sup>77</sup>*

## Milestone 36: The Institute's 1,000th member

Date: June 1936

By the end of 1936 there were 1,079 members, 1,728 students and 708 candidates who took the examinations.<sup>78</sup> The Institute's premise on membership has always been that quality is more important than quantity.

Back in 1922, Vice-President Lord Weir of Eastwood, commented on the member numbers:

*Like all reputable concerns, its growth and has been sound and steady rather than spectacular that is evidenced by the fact that the highest number of passes for its membership examinations has never exceeded at 25 per cent.*<sup>79</sup>

Mr James Todman, Member of Council, then commented on membership applications:

*The record shows that about 60% of applications received since the incorporation have been rejected. By such means the council seeks to confer upon its members and status of considerable professional value and to extend to the business world a guarantee of security and efficient service.*<sup>80</sup>

In 1928, the route to membership through experience was ended. From then on, all students, before becoming eligible for Associate membership, had to pass both the Intermediate and Final Examinations of the Institute.

Most Institute members, in 1936, were to be found in the London, Manchester and Birmingham areas.

Member location	Percentage of members
London and South of England (Area No.1)	34%
Manchester and District (Area No.7)	13%
Birmingham and District (Area No.4)	11%
British Dominions, Colonial & Foreign (Area No.17)	8%
Scotland (Area No.14)	6%
Sheffield and District (Area No.9)	4%
Leeds and District (Area No.10)	4%
South West England (Area No.2)	4%
Liverpool and District (Area No.6)	3%
East Midlands (Area No.8)	3%
North-East Coast (Area No.11)	3%
South Wales (Area No.5)	2%
East Anglia (Area No.3)	2%
Middlesbrough and District (Area No.13)	1%
North West Coast (Area No.12)	1%
Northern Ireland (Area No.15)	0.5%
Irish Free State (Area No.16)	0.5% <sup>81</sup>

Of those members located in Area 17 (British Dominions, Colonial & Foreign), the majority were based in India.

What is also interesting is that the Institute starts to see the second generation of cost accountants coming through to membership. This was the case with Mr Lancelot Peter Baenziger who was admitted to Associate Membership in 1936. His father, Mr Lancelot Edward Baenziger, had been a Fellow since April 1920. The Cost Accountant pointed out:

*Although the sons of a number of members of the Institute are in the course of training for the profession, we believe this is the first occasion on which both father and son have held membership simultaneously.<sup>82</sup>*

## Milestone 37: The first Institute costing terminology

Date: March 1937

The publication of the *Costing Terminology*, in *The Cost Accountant*, is a key achievement for the Institute in the establishment of costing as a science. Finally, all cost accountants have a common language and the content of the costing terminology defines the Institute's space to the outside world. The process from inception to publication had been a long one. Council set up the Costing Terminology Committee back in early 1926.

The introduction to the cost terminology explained the long process and that publication was just the beginning. What the terminology represented was a living language, and it would need to evolve, and change as business requirement changed.

Many busy and eventful years have passed since the Council of the Institute of Cost and Works Accountants undertook the task of preparing a terminology suitable for cost accounting purposes. Although numerous difficulties have been encountered, this important work has proceeded through various stages until it has now reached a point where it is possible to lay before our readers a list of approved terms and definitions.

This list is neither comprehensive nor final. Probably it never will be, for like all other forms of living language, costing terminology must evolve and develop in response to the needs of the profession and in accordance with business requirements. The work of investigation and selection which has resulted in this list of terms and definitions must be succeeded by a more continuous process of elimination, addition and modification at the hands of a standing committee to be appointed for the purpose. The publication of this list is, indeed, the first step in this subsequent process, and in order to make it as effective as possible every member and registered student of the Institute is now invited to examine each definition carefully and to notify the Secretary by the end of April with any suggestions for modifications additions or eliminations.

It may be helpful to include here a word as to the intentions of the Council with regard to this list of terms and definitions. The Council feels that it can with every confidence invite the cordial cooperation of all its members and registered students in the work of establishing this terminology as the excepted basis of the professional language of cost accountancy. It is realised that at the outset some difficulty may occasionally be experienced by those who are more or less committed in their business relations to terms and definitions which are not in entire agreement with this official code. It is hoped, however, that anyone so pleased will find it possible to effect any necessary changes gradually, so that more or less universal conformity shall be ultimately attained. It cannot, however, be too strongly emphasised that the Council has no intention of imposing upon its members and students, or upon the business world generally, a code of terms and definitions which has not withstood the test of wide publicity. It is therefore hoped that members and students will assist in this work by sending in their suggestions as early as possible and by making them constructive and specific.<sup>83</sup>

## Milestone 38: The Institute Research Committee

Date: April 1938

At the April 1938 meeting of Council, it was agreed to appoint a Research Committee. The terms of reference for the Committee were:

*... to act as a co-ordinating and investigating Committee with the power to set up group ad hoc Committees to deal with specific aspects of the profession of Cost Accountancy, and with problems submitted to it either by the Council direct or through various committees, or by branches or groups of individual members.*

*it will have power to make recommendations — subject to the approval of the Council through the Executive Committee — to expend money if necessary to the carrying out of its function; and*

*it will report to council at its meetings on the work being undertaken and its progress and will make recommendations to the Council for the adoption of its proposals for issue to the members of the Institute.<sup>84</sup>*

Appointed to serve on the Committee were: Mr W H Boddington, Mr Roland Dunkerely, Mr Donald L Moran, Mr H A Simpson, Mr S C Tyrrell, Mr W Walker, the President and the President-Designate. Mr P Griffiths was appointed Honorary Secretary to the Committee.

Just a year later, a subgroup of the Research Committee was examining the problems of costing for the different departments of municipal activity.

The appointment of the Research Committee was built upon the confidence that the publication of the first Costing Terminology brought the Institute in 1937. It demonstrated the Institute's ambition to continually drive the future costing accounting agenda and science forward. However, that ambition would be temporarily halted by the outbreak of war in 1939.

## Milestone 39: The Institute Benevolent Fund

Date: November 1938

The Memorandum of Association of the Institute of Cost and Works Accountants contained among it, a provision for the establishment of a benevolent fund. In January 1938, Council decided that the time was right, and presented an opportunity to create such a fund.

A personal letter announcing the inauguration of the fund was addressed by the president and sent to all members. The idea was that contributions...

*...to the benevolent fund will prevent members — who, at a later date, may be unfortunate enough to encounter adversity — from feeling that any grant made from the Fund, either to themselves or to their dependence, was made in any other than a spirit of fraternity.<sup>85</sup>*

By November 1938, the Benevolent Fund had received annual subscriptions and donations to the value of £449.

At the Annual General Meeting (AGM) on the 28th April 1939, the total fund amount stood at £588 and the President thanked the generosity of the membership.

*On behalf of the council he decided to thank all those who had already responded and he appealed to the generosity of those many other members who, he felt sure, could make a contribution, however small, and thus help to build up a fund that would be worthy of the Institute, and one which would provide the means of relieving distress amongst those who may be unfortunate enough to need its assistance.<sup>86</sup>*

## Milestone 40: Cost accountants and National Service

Date: 28th April 1939

At an Institute Council meeting on 2nd December 1938, the issue of members of the Institute and National Service was high on the agenda. It was also a topic on the agenda at the 1938 Annual General Meeting (AGM), held on 28th April 1939. The President, at the 20th AGM, drew special attention to the developments relating to national service.

*The Ministry of Labour, who are compiling a Central Register of professional men and women, have sought the cooperation of the Institute in compiling a National Register for Cost Accountants. Since the particulars was circulated to members, events in the national scheme had already reached a new development, and he emphasised the importance of every qualified Cost Accountant registering his name through the Institute, so that, as a profession, we should be able to present to the Government a record of men qualified to use their costing knowledge and experience as their contribution to the State.<sup>87</sup>*

Interestingly, just two days earlier, the British Prime Minister, Neville Chamberlain had persuaded the Cabinet to the merits of introducing limited conscription. This became the Military Training Act a month later, in May 1939.

The Council agenda, for April 1939, also included 'National Emergency Measures.' Here, consideration was given to the question of the steps to be taken in connection with Head Office records, premises and staff in the event of a National Emergency.

These markers highlight that the storm clouds of war were gathering, and that Britain and the Institute were making plans for a war-time scenario.

War interrupts  
the Institute:  
**1939 to 1945**

# Introduction

After the publication of the Institute's 'Costing Terminology' in 1937, there was a new confidence. This can be seen in the establishment of an Institute Research Committee and the benevolent fund in 1938. The Institute had defined and standardised the cost accounting space, and the birth of the Research Committee was a sign of the Institute's ambition to further develop the science of costing. However, the Second World War, from September 1939 to August 1945, put a temporary stop to the Institute's ambitions.

Of course, war didn't come as a bolt out of the blue in September 1939. The Institute Council had war-time plans drawn up for such a scenario in May 1939. This was under an agenda item, labelled 'National Emergency Measures.'

The Institute had also been working with the Ministry of Labour, in early 1939, to compile and maintain a National Register of Cost Accountants. This register contained the details of members, 'who, in the event of war, would be prepared to serve on appropriate work, in their professional capacity, either in Government service or elsewhere.'<sup>88</sup>

During the war years, the Institute had to reduce its outputs and prioritise where it could make most impact for the war effort. War-time paper shortages meant that *The Cost Accountant* journal, had to reduce the number of annual issues, the size of issue and the font size increasingly got smaller from 1943 onward. Local branch events became increasingly difficult to plan and hold when blackouts, curfews and aerial bombing took their toll on Britain. Finally, the Institute governance was cut back to concentrate on the essential services. All but the Examinations Committee was pared back, so the Institute could make sure the supply of Cost Accountants met war-time demands, and that students could continue their studies.

At the indefinite postponement of the National Costing Conference, the Institute's journal led a rousing cry to action:

*Unfortunately, it is not possible for a National Cost Conference to be held, but that should not deter any one of us from resolving to do all we possibly can toward extending the influence of the Institute and determining that we are not found wanting in the part we ought to play in branch affairs. Just as the nation has, so far as it is possible, to carry on its normal activities alongside its war-time requirements, so we, as Cost Accountants, must not remain inactive and allow the Institute and its affairs, as well as the profession generally, to stagnate because of the war-time conditions imposed upon us.<sup>89</sup>*

What these milestones in the war years display is the pioneering spirit of the Institute members and students, in adversity. It also demonstrates their forward-thinking ability, and their ability to be able to consider the longer-term view, when the world would return to peace.

*We know full well that many of our members cannot take part in Branch activities as they would wish, by reason of the demands made upon their time by official and other duties; but on the other hand, there are those who can do a little more than usual, and if we are determined to give our time, experience and knowledge, as occasion will permit, we may help others, particularly students, to a fuller understanding of some of the problems confronting them. We shall then find that by helping others we are also enlarging our own conceptions and enriching our own understanding.<sup>90</sup>*

## Milestone 41: The outbreak of war — A message from the Institute President

Date: 3rd September 1939

On 3rd September 1939, Britain declared war on Germany after Hitler's armies invaded Poland. For the September issue of the *Institute Journal*, the front page contained a personal message from the President of the Institute, Mr R B Garnham.

*Modern warfare necessarily and inevitably involves every section of the community and affects every phase of activity in the life of the nation.*

*Members of the Institute, in common with all other citizens, are naturally anxious that their services shall be utilised to the best advantage in this time of national emergency. They should feel encouraged by the fact that their training and qualifications render them specially fit for the vital forms of national service — that of ensuring that essential production is carried on at the lowest possible cost to the nation.*

*Those members who have enrolled on the National Service Central Register will have the opportunity of being drafted to Government and industrial positions wherever the need for men of their particular qualifications arises. Others, who already occupied positions of vital importance in the industrial and other spheres, will continue to utilise all their skill and knowledge, directly or indirectly, in the service of the country.*

*In peace or in war, the Cost Accountant plays an increasingly important part in industrial life, and it is essential that a steady supply of young members should be available to support and follow on the older members. Although “for the duration” spare time will be limited, students should be helped and encouraged to continue their studies, and it is hoped that — even for their sakes only — some measure of Branch and Student Society activity will be possible. Then, when the period of adjustment comes after the war, the supply of qualified men will be adequate to the demands which will inevitably arise.*

**President Mr R B Garnham.<sup>91</sup>**

## Milestone 42: The Institute in wartime – Council Meeting

Date: 29th September 1939

At the first Council meeting after the outbreak of war, the Secretary, Mr Stanley J D Berger reported on the Institute's present activities considering the nations situation.

Council, 'Unanimously agreed that every effort should be made to continue the Institute's work for the advancement of the profession and the utilisation of the knowledge and experience of its members.'<sup>92</sup>

However, even with 'every effort', it had been announced in early September 1940, that the Institute's Headquarters would be moved out of London, temporarily to Kingswood, Surrey. The Institute's Library was closed down, and members were asked to return any books or pamphlets still on loan immediately, with a view to its contents being moved to Kingswood. Finally, the 18th National Conference on 'The fundamentals of Costing Systems' and annual banquet, due to be held at the Victoria Hotel, London, between the 12th and 14th October 1939, were indefinitely postponed.

In October 1939, the Institute examinations scheduled for December 1939 were postponed until January 1940 due to, 'present-day uncertain conditions.'<sup>93</sup> It was later reported to the Institute Council that Examinations had been satisfactorily carried out on 8th-10th January at centres in Birmingham, Bristol, Cork, Dublin, Edinburgh, Glasgow, Liverpool, London, Loughborough, Manchester, Newcastle and Sheffield.

To mark the 21st birthday anniversary of the formation of the Institute, in 1940, Council had planned to hold a special celebration in conjunction with the National Cost Conference. However, these too, were abandoned in April 1940 owing to the war. It was replaced with a birthday luncheon, following the AGM on 7 June 1940.

At the September 1939 Council meeting, Council approved a war-time governance structure. This included:

- ▶ The Secretary being appointed Director of the Institute and made responsible to Council for the general administration of all Institute affairs
- ▶ The appointment of a War-time Executive Committee, consisting of the President, the President-Designate, the Immediate Past President, the Honorary Treasurer, and Mr Roland Dunkerley
- ▶ The full Council meeting only twice a year, and the War-time Executive meeting every three months, or as required by circumstances
- ▶ The Standing Committees being disbanded, with the Chairman of each committee being appointed an Honorary Advisory Director for their respective activity.

## Milestone 43: Britain's Prime Minister, Neville Chamberlain's tribute to costing

Date: 9th January 1940

Neville Chamberlain, British Prime Minister, gave a speech on 'The war, its progress and prospects,' at the Mansion House, in the City of London. The speech was broadcast live on the BBC's Home Service wireless station. Headlines in the Manchester Guardian of Chamberlain's speech note, 'Sacrifices By All To Meet Our War Effort,' and, 'Deflecting Labour to Armaments'.<sup>94</sup>

For the Cost Accountant the speech was interesting, as Chamberlain highlighted how cost accounting methods were helping the war effort.

*Nearly a year ago, speaking in the House of Commons, I warned the country that it was the intention of the government on the outbreak of a major war that direct taxes, already so heavy as most to constitute a conscription of wealth would be still further increased.*

*We have been getting at the income-tax payer in other more indirect ways too. Our system of contracting and cost accounting has gone a long way to prevent any unreasonable profits being made out of armaments, and if profits, whether reasonable or unreasonable, should still be made out of, let us say increased output, then there is the Excess Profits Duty, which sweeps up a good part of them.*

*We passed the Prices of Goods Bill, which is designed to prevent profiteering in commodities.*<sup>95</sup>

The *Institute Journal* concluded:

*Although the cost accounting methods referred to by the Prime Minister may be open to criticism, it is encouraging to find that the head of the government of the day recognises and appreciates the increasingly important part that costing must take in these critical days.*<sup>96</sup>

## Milestone 44: The scope of a cost accountant's activities

Date: 9th February 1940

This was the title of the paper given by the Institute President, Mr R B Garnham, to the Birmingham and District Branch.

At the branch meeting, the President attempted to define the activities of a cost accountant, with the same precision it has been possible to define those of a doctor or a soldier. He hoped by doing so that, 'the definition of those duties would lead to more profitable execution of functions the Cost Accountant should perform.'<sup>97</sup>

- (1) The Statement of Financial Results – Profit and Loss
- (2) The Statement of the means by which Profit and Loss was made
- (3) The Statement of the cost of specified items of Production under specified conditions – called Costing
- (4) The Statement of efficiency of the use of time and material — called Works Accounting<sup>98</sup>

He went on to explain that:

*'in cost accounting there is a knowledge "without and above, won by observation," and a cost accountant's activities must perforce include those studies which will enable him to rise to this state of intuitive genius in all matters connected with industrial organisation'*

The conclusion of Garnham's paper highlighted the similarities of how medical science and the science of cost accounting both used recording and observation.

*'... that Cost Accountants shall be able to diagnose the functions of business in the same way as a doctor is able to diagnose a deviation from the function of the bodily organs, and by the same careful record that has been the medium through which medical science has progressed, so build up in Cost Accounting a science by which the future difficulties of economic life, as dealt with by industrial organisation, can be satisfactorily made to serve the life of the people.'<sup>100</sup>*

The vital skills of, and the demand for, cost accountants in industry was further recognised in 1940, by the Ministry of Labour. It issued a 'Schedule of Reserved Occupations' report, in which the age of reservation was lower from 30 to 25, for Cost and Works Accountants who are members of the Institute. The journal commented that, 'this official acknowledgement of the value of the Institute's qualification places an added responsibility upon the shoulders of all members.'<sup>101</sup>

War amplified the value of the cost accountant. They were viewed as the linchpin between manufacturing firms and Government Departments, in the investigation of costs and facilitating the fixing of fair prices for contracts for essential war-time goods.

By 1942, the demand for cost accountants from Government Departments and across industries had increased noticeably. The AGM report for 1942 observed:

*During the past year there has been a marked increased appreciation of the valuable part which costing plays in production efficiency. The demand for the services of qualified Cost Accountants has remained on a high level, and the Institute has done and will continue to do everything possible to co-operate with all concerned in this matter.*

*The Institute has co-operated with the Ministry of Labour and National Service, and other Government Departments, in all matters affecting the provision of suitably experienced members, for the purpose of taking up work as Cost Accountants in Government Supply Departments and in Industry.<sup>102</sup>*

## Milestone 45: German air raid damages the Institute's London headquarters

Date: 9th September 1940

At the outbreak of war, the Institute headquarters were located at Number 23, Queen Square, London, W.C.1. Immediately after the announcement of war, pre-war plans were rolled out and the Institute headquarters moved out of London. Emergency headquarters were found in Kingswood, Surrey.

However, at a meeting of the Institute Council on 5th April 1940, it was decided to move the temporary headquarters back from Kingswood to Queen Square in London. The eight-month period of the Second World War between September 1939 and May 1940 has been often labelled 'the phoney war'. It was a period during which there was limited military action on the Western Front, and enemy action against Britain's Home Front.

In early September 1940, two high-explosive bombs fell on buildings between Guilford Street and Queen Square, Bloomsbury, during a German night raid. The bombs directly hit two adjacent buildings to the Institute's headquarters, which was also damaged in the air raid. A report in the Cost Accountant noted that there had been damage to the Institute's library and that, 'temporary dislocation is inevitable in the functioning of the Institute Library'.<sup>103</sup>

The German bombing campaign of Britain, called 'the Blitz', started in September 1940 and continued until May 1941.

It is interesting to note that Queen Square, London, had a history of being bombed. During the First World War, on 8th September 1915, a bomb dropped from a German Zeppelin exploded over the north lawn of the square.

After the air-raid damage to the Headquarters, Council agreed for a second time to move Institute functional activities back to Links View, Sandy Lane, Kingswood, Surrey. By October 1940, the Institute Library was back up and operating from the Kingswood emergency headquarters.

Even being 20 miles outside London did not totally remove the risk of being caught in an aerial bombardment. In 1944, the Institute's temporary headquarters suffered some superficial damage from enemy action. The AGM report for 1944: 'we rejoice to know that the staff were unharmed and that the records are in reasonable condition'.<sup>104</sup>

During the summer of 1944, Germany launched V1 rockets (nicknamed 'doodlebugs' or flying bombs) and V2 rockets from September 1944 upon Britain from sites along the coast in Northern France. Their target was London, but many fell short on their flight paths, or went astray, and ended up dropping in the Surrey countryside.

## Milestone 46: Institute Roll of Honour

Date: February 1941, April 1941, June 1942, March 1943 and November 1944

In the February 1941 issue of *The Cost Accountant*, the first fatal casualty of a member of the institute is announced. It is recorded that Associate member, Charles Victor Mann, died as a result of enemy action, at home.<sup>105</sup>

The Institute at the beginning of 1941, had 1,366 members and 2,136 registered students. Of this membership 99 members and approximately 881 registered students were attached with the H.M. Forces. Roll of Honours were published regularly in the *Institute Journal* between 1941 and 1945.

### April 1941<sup>106</sup>

– Charles Mearns Durno  
(killed in action)

– Albert Parsons  
(killed in action)

– Francis Herbert Wilson  
(missing, feared drowned  
at Dunkirk)

– Norman Frank Wilson  
(killed in action)

– Fred Garbutt  
(reported missing, now officially  
presumed killed) [Aged 25]

– Edgar Gordon Thomas Smith  
(presumed killed in operations  
over enemy territory) [Aged 25]

### March 1943<sup>108</sup>

– Norman Douglas Fairclough  
(killed in action) [Aged 25]

– Kenneth Conway Killoran  
(killed in action) [Aged 30]

### June 1942<sup>107</sup>

– John Eric Blackburn  
(killed in aeroplane crash)  
[Aged 20]

– John Gibb Brown  
(killed in flying operations)  
[Aged 28]

– Leonard Dobson  
(killed in flying accident)  
[Aged 21]

– Raymond Victor Pidsley Drower  
(reported missing at sea, now  
officially presumed killed) [Aged 26]

**November 1944<sup>109</sup>**

- William Alexander Croft  
*(missing, now presumed killed)*
- Clifford Frederick Cropper  
*(killed in action)*
- Leslie George Scott Eaton  
*(killed in action)*
- Herbert Edward John Hale  
*(killed in action)*
- Cecil Frank Jeans  
*(died on active service) [Aged 33]*
- Joseph Wilfred Keogh  
*(died in active service) [Aged 22]*
- Anthony Fenton Gillman Leahy  
*(killed in action) [Aged 34]*
- Cyril Lloyd  
*(died on active service) [Aged 37]*
- James Noble  
*(killed in action)*
- David George Pearce  
*(died in Japanese P.O.W. camp)*
- Ernest Stanley Phillips  
*(missing, now presumed killed)*
- Alfred Roberts  
*(killed in action)*
- Reginald Percy Round  
*(died from wounds received in action)*
- John Mannington Sayers  
*(killed in action)*
- Cyril Taylor  
*(missing, now presumed killed)*
- Eric Reginald Todd  
*(killed in action)*
- Cecil Wall  
*(died from wounds received in action)*
- John Williams  
*(killed in action) [Aged 29]*

## Milestone 47: First Institute examinations held in German prisoner of war camps

Date: June 1942

Since March 1940, prisoners of war had been able to request, and had been sent, books on any educational subject in which they may be interested, through the Educational Books Section of the Red Cross and St. John War Organisation at the New Bodleian Oxford. This development made it easier for British prisoners of war to study for Institute examinations.

By 1942, thanks to arrangements by the International Red Cross and the University of London, the Institute was able to hold Examinations for prisoners of war held in Germany. At the June 1942 Examination sitting, four candidates sat papers at Oflag VIb, Prisoner of War Camp, in Germany. This was one of the first occasions on which a professional body in England had conducted its own examinations amongst candidates in enemy hands.

The camp, located near the village of Dössel in Northwestern Germany, opened in September 1940 and housed French and British officers. All four candidates were successful in the examinations.

### **Intermediate Examination Part I:**

- ▶ Haig, David Salusbury (Lieut.) from Edgware, Middlesex

### **Intermediate Examination Part II:**

- ▶ Smith, James Keith (Capt.) from Hale, Cheshire

### **Intermediate Examination — Parts I & II**

- ▶ Hurst, Charles Norman (Lieut.) from Banstead
- ▶ Metcalf, Alfred Guest (Capt.) from Birmingham

Captain Metcalf would be admitted as an associate member of the Institute in November 1945.

In September 1942, the British prisoners at Oflag VIb were transferred to other camps. However, by that time, arrangements were also advanced for holding further examinations in a number of prisoner-of-war camps in the summer of 1943.

At the June 1943 Examination sitting, 21 candidates sat papers, at 7 prisoner-of-war camps in Germany, and in December arrangements were made for 22 candidates. The logistical arrangements were immense, and it could take months for the candidate scripts to be returned from Germany to Britain. At a meeting of the Examination Committee in October 1944, the Director reported that scripts from the December 1943 sitting were still missing from the prisoner-of-war camp Stalag Luft III. The camp, Stalag Luft III, is the one featured in the 1963 film 'The Great Escape', and it is interesting to note that Institute students were possibly involved in the legendary 'Great Escape', on the night of 24th and 25th March 1944.

June 1944 witnessed the last Institute Examinations taking place in German camps, where 31 candidates sat papers in 11 camps. The Examinations took place just days before the Allied 'D-Day' landings on the beaches of Northern France. After the events of 'D-Day', the chaos of an ever-changing mobile military advancement across Western Europe made it was impossible to offer further Examination sitting in German camps. As it was, in September 1945, the Examination Committee was still awaiting June 1944 scripts, from seven camps, and it was assumed that the papers had been irrevocably lost.<sup>110</sup>

## Milestone 48: Increase in the number of women taking Institute examinations

Date: December 1942

There's a famous British Second World War poster encouraging the 'Women of Britain. Come Into The Factories'. Commissioned by the Ministry of Information in 1941 and designed by Philip Zec, the impact of the poster was felt by the Institute in 1942. When the women of Britain went into the factories, they wanted training and education for the war work they were undertaking. It was noted, by *The Cost Accountant*, that the December 1942 examination sitting had witnessed a rise in the number of female students taking examinations. The Pass List contained the names of five women candidates, the highest number of women to be successful at any of the Institute's examinations since 1920.

There was success for Elizabeth Korneld and Constance Beryl Price in the Intermediate Examination — Part I, and Mabel Alice Hudson and Kathleen Elizabeth Grace King in the Intermediate Examination — Part II.<sup>111</sup>

The two examination sittings of June and December 1942 also witnessed the highest number of candidates to date, at 582. This demand, 'reflects the increasing appreciation of the value of the Institute qualification and a commendable eagerness on the part of students to obtain such qualification, notwithstanding war-time difficulties.'<sup>112</sup>

Even with 'war-time difficulties' the Institute had examination centres up and running in eleven home venues and at nine overseas locations during the Second World War:

- ▶ Home: Belfast, Birmingham, Bristol, Derby, Dublin, Edinburgh, Glasgow, London, Manchester, Newcastle, Sheffield
- ▶ Overseas: Bombay, Calcutta, Cape Town, Port Elizabeth, Johannesburg, Lagos, Lima (Peru), Que Que (S. Rhodesia) and Sailsbury (S. Rhodesia).

## Milestone 49: The development of cost accounting and post-war planning

Date: March 1943

In an editorial lead, the *Institute Journal* was already looking forward to a world of peace.

*With post-war planning, the implementing of the Atlantic Charter, and the serious task of preparing for peace-time activities occupying so much attention in the economic, social and financial spheres, it is of the utmost importance that Cost Accountants should be directing their attention to the development and the application of cost accounting principles and techniques so that they may be ready effectively to play their part when a return to peace time trading is made possible.*<sup>113</sup>

The article questioned how the applications of costing techniques would assist in rehabilitation of industries and the economy, from a war-time, to a peace-time focus.

This was in addition to regular correspondence in the journal, during 1943, debating the issues around the topic of, 'Employers' Responsibilities Under Post-War Industrial Conditions.'<sup>114</sup>

Branches too, were already debating the post-war environment. In April 1942, a paper was given at a Manchester and District Branch by Mr H Wilmot on, 'Some Post-war Industrial Problems.'<sup>115</sup> He told his audience:

*On the conclusion of hostilities, the first task of statesmen the world over will be to steer a war-worn humanity away from civil chaos, famine and pestilence. A large degree of improvisation will be necessary in spite of plans already made and in the making. The economic machine, as it were, will not begin to run smoothly again at the first kick of the self-starter.*<sup>116</sup>

The Institute's members, therefore were not solely focused on the short-term task at hand, but also were thinking and debating the longer term. How would industry transition efficiency to a post-war world?

At a series of Institute public meetings in March 1944, Mr Roland Dunkerley, member of the Executive Committee, talked about reconstruction.

*The Word "reconstruction" has been bandied about from many angles. All anticipate a better world, but few seem to realise that this will only be a better world if it is made so, and that cooperation between capital and labour, tolerance and united efforts, and a facing up to the task before us, will be necessary if the much talked of improvement is to be attained.*<sup>117</sup>

## Milestone 50: 'Victory and deliverance' — peace in Europe

Date: 8th May 1945

The Institute's journal, *The Cost Accountant*, in May 1945 devoted its front page to mark the end of war in Europe.

### Victory and deliverance

The war in Europe is over! The conqueror has been utterly conquered. The monstrous regime of the Third Reich, which sought to establish domination by destruction of men's bodies and subjugation of their souls, has gone down in ruin. The German armies have surrendered, and the Nazi state no longer exists. The people of Europe are once more free; the slaves of the "master race" are released from their bonds.

The full significance of these events is still beyond our comprehension; but of one thing we in Britain can be sure — we, too, celebrate a great deliverance. We are freed from fear; from the primary fear of physical suffering; from the spear of spiritual degradation — that deep unspoken fear which spurs free men to deeds of valour.

To have lived for nearly six years in the grip of such a fear is something of which we can be justly proud. Through it, in company with our allies, we have vanquished our foes, delivered the oppressed nations, preserved our liberty and maintained our independence. If, at this stage, we pause to rejoice and to render thanks, we must neither falter nor turn aside, for our task is yet no more than half complete. Our obligations in that other war in the Far East and the problems of peace nearer home are inseparably interwoven. To endow peace with stability and civilisation with well-being, it is imperative to keep alive the ideals which have given the allied people unity and solidarity, and which are nearer to our hearts and more vital to our safety than the opinions and interests which divide.

To have vindicated in war man's dignity and rights, but to fail in peace to nurture them, would be to provide ourselves unworthy of a great deliverance.<sup>118</sup>

From cost to  
management  
accounting:  
**1946 to 1975**

# Introduction

In 1945, the Institute had 1,840 members; by 1975 this had increased to 19,969. However, there was a fundamental difference between the member joining in 1945 and the member joining the Institute in 1975. One was a 'Cost Accountant', the other a 'Management Accountant'.

What was also different were the tools used to carry out their roles. The mechanical tabulating machine and punch cards of the Cost Accountant were replaced with the electronic calculator and the computer terminal used by the Management Accountant. In 1966, there were estimated to be 3,000 computers in Britain, and it was predicted to rise to 12,500 by 1975.<sup>119</sup>

The Management Accountant, in the period 1946 to 1975, moved from the factories and industrial Works floor into the office. This was a back office, where statistics and data were collected to provide management with the trends and patterns for business decision-making.

The emergence from the Second World War was a time of dynamic growth and expansion for the Institute, not just in numbers, but also in profile and authority. Institute direction, evolved from Cost to Management Accountancy, to reflect the changing standing of its members, and the changing needs of business and industry.

The highest reward and recognition for the Institute came in February 1975, when the Queen in Council approved the Institute the grant of a Royal Charter of Incorporation.

## Milestone 51: A change in Institute direction

Date: 15th June 1945

As the war ended in Europe the Institute's Council set out a vision for change at the 26th Annual General Meeting.

The council have agreed, in principle a comprehensive plan, which is three main objects:

- (a) *Establishing conditions which will attract the best type of youth to the profession;*
- (b) *Establishing machinery for collecting, collating and distributing information concerning note where the examples of cost accounting principles or practice;*
- (c) *Establish the means for encouraging research into fields for development of the art and science of cost accounting, thus facilitating the maintenance of an adequate position for the profession in relation to human endeavour.*<sup>120</sup>

Council announced the establishment of a Committee to formulate a plan of action and estimated it would take around three years to fulfill the new objects.

The first objective was to be achieved by a careful review of the examination syllabus and improvement in the standards of exams. For the second objective, a review was envisaged of the structure and content of the *Institute Journal*. Finally, for the third objective, an Institute Gold medal would be created and awarded to members who contributed to the advancement of the science of cost accounting.

The Institute President, Mr Harold Wilmot concluded by saying, 'I feel that as cost accountants we are only on the threshold of an enormous area of development, improvement and worthwhile service to humanity, and it is in that spirit that this programme has been devised and it is in that spirit that I say to you, much as the council has said to me: "Forward I.C.W.A. into post-war prosperity."' <sup>121</sup>

## Milestone 52: Institute Council Area Representation extended to the Union of South Africa

Date: 9th November 1945

At an Institute Council meeting, on 9th November 1945, Mr A Hopewell became the first member of Council to be appointed as the Area Representative for the Union of South Africa.<sup>122</sup> Up until this point, all members outside of the British Isles had been lumped together in a Constitutional Area labelled, 'British Dominions, Colonial and Foreign' (Area No.17).

At the same meeting, the nomination of Mr H W Anderson, as the Honorary Secretary of the Union of South Africa Branch, was confirmed by Council.

In October 1949, the official badge of office was presented to South Africa, by Institute Past President, Mr Roland Dunkerley. Dunkerley commented, 'The badge stood for a high standard of efficiency which was the aim of the Institute and it was up to the South African members to see that the standard was maintained.'<sup>123</sup>

The standard was maintained, and in 1955 the first Institute office outside of the British Isles was established in South Africa. Also, in 1955, the Institute established a South African Council to direct policy for the South African division and represent the 236 local members and 513 students.<sup>124</sup>

## Milestone 53: Uniform cost accounting and the principles of cost ascertainment

Date: September 1947

Uniform Costing was a hot topic in 1947 and 1948. Many trade associations were promoting their proposals, and the appointment of government Development Councils, as part of the Industrial Organisation and Development Act 1947, had the objective of promoting uniform costing practice.

Thanks to the work of the Institute's Research Committee, the Institute published, 'Uniform Cost Accounting and The Principles of Cost Ascertainment,' in September 1947.<sup>125</sup>

The publication was split into two sections and based on current thought in 1947. One section reviewed the primary object of Uniform Cost Accounting, 'to compare costs for goods produced and services provided by different businesses within the same industry.'<sup>126</sup> The other section provided a description of the Principles of Cost Ascertainment, and how the efficient methods must conform to certain basic principles.

In an editorial of *The Cost Accountant*, the journal explained:

*They are important for two reasons: first, because of their undoubted technical merits and, secondly, because they represent the profession's contributions to the fast-growing literature on a subject to which industry and government are giving increasing attention.*<sup>127</sup>

The publication of the booklet displays a new confidence that the Institute gained after the Second World War. What is also interesting as the Institute President, Mr Henry Jack, points out, 'Cost accounting can never be static and will continuously develop.'<sup>128</sup> Little did Mr Jack realise that within 40 years, the Institute would have evolved from cost to management accounting.

## Milestone 54: Anglo-American Productivity Council investigations into the use of costing information

Date: April to June 1950

In 1948, it emerged that ‘the American Government had voted a large sum of money to assist British Industry to increase its efficiency and productivity’ through the Anglo-American Council.<sup>129</sup> By 1950, an Institute member, Mr Ian T Morrow, led a specialist team that visited the USA to investigate the use of costing information. The team was supported by the Institute’s Director, Mr Stanley Berger, who became the Secretary to the group during its fact-finding tour between April and June 1950.

Its terms of reference were, ‘To find out what accounting, costing and statistical information is provided for American management at different levels: by what means it is obtained and how it is used.’<sup>130</sup>

In announcing the team’s trip to the USA *The Cost Accountant* used the term, ‘management accountancy’ for the first time.<sup>131</sup>

The team’s Report on *Management Accounting* was published in October 1950. Recommendations included:

- (1) *That management, in considering the future and preparing plans should make the fullest use of budgeting and forecasting, based on accounting and costing data*
- (2) *That top management should make use of standards of performance and of accounting control techniques to enable it to decentralise responsibility, and that all standards of performance should be agreed with those who are to work to them*
- (3) *That industrial accountants should make great efforts to acquaint themselves with the problems of management and the technical processes in their industry and concentrate their effort towards producing information which will serve as a guide to policy and action*<sup>132</sup>

This milestone is the point at which management accounting entered the DNA of the Institute and its members. A truly evolutionary step.

# Milestone 55: Management gauges

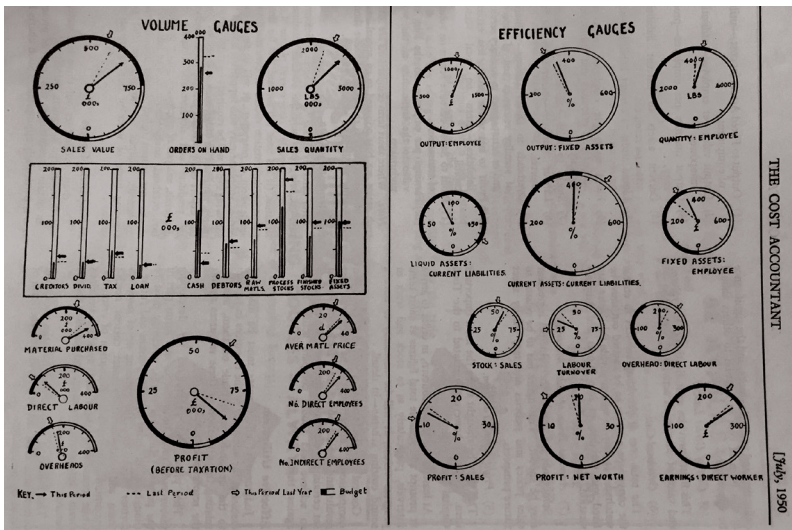
Date: July 1950

Today, we measure almost everything important to a business, on electronic dashboards. They are second nature to us, but back in the 1950s they were something new.

As the author of journal article, Mr J A Scott A.C.W.A., explains:

*One of the problems facing business executives is that of keeping a clear picture in front of them of the changing features of their business economy, the volume of their sales, costs and profits, the adequacy of their working capital and the relative effectiveness of their operations.<sup>133</sup>*

The solution? Management Gauges, the 1950s management information dashboard, but with hand-drawn charts and on paper.



The innovation of Management Gauges demonstrated that Cost Accountants were no longer just fixated on implementing costing systems, but how to communicate quickly with management their findings and conclusions.

## Milestone 56: First residential summer school, Cambridge

Date: 5th to 7th July 1950

The first summer school held by the Institute took place at Saint Catharine's College, Cambridge. It was attended by 120 members and registered students, who were accommodated at the college over the three days.

The programme consisted of a brains trust, technical sessions and study groups. Subjects discussed and debated included, 'management accounts,' 'statistical control for top management' and 'problems of cost reduction, with particular reference to mechanical handling.'

Kilvington, writing in 1974, described the paper presented by Sir Charles on management accounts as notable. 'This paper was so far ahead of its time that it could be given today and not seem stale or dated.'<sup>134</sup>

There were also Works visits to Pye Radio Limited, and Chivers & Sons Limited, and a special dinner in Saint Catharine's College Hall.

The event was a success and *The Cost Accountant* concluded:

*'The summer school provided an opportunity for those members and registered students attending, not only to add to the knowledge of cost accounting, but also to widen their outlook on kindred subjects and other matters of importance to the profession industry and country.'*<sup>135</sup>

It was such a success that the Institute Summer Schools, based at Cambridge University became a regular fixture of the annual Institute calendar. In 1976, the Institute celebrated the 27th Summer School in Cambridge. The highlight of the summer school, in 1976 was a management game called 'Seaspeed'. Devised by Dunchurch Industrial Staff College, this business game used computer simulations around the internal operations of a manufacturing company. It was designed to expose 'role conflicts' that could arise between functional heads and highlight weakness in the financial control/information systems.<sup>136</sup>

The world had moved on in 27 years, computer simulations had replaced study groups, but the spreading of knowledge and stimulating debate amongst the management accounting community was still a main ambition of the Institute.

## Milestone 57: Revised examination syllabus

Date: June 1952

Mr Arthur William Muse, Institute President, on the announcement of a new Institute examination syllabus proclaimed:

*In June 1952, the first examinations will be held under the new examination syllabus. Because the existing syllabus has remained substantially unchanged for nearly thirty years, the event will be an important one, and will seriously influence the type of member admitted thereafter.<sup>137</sup>*

### The examination syllabus

(operative at and after the June 1952 Examination)

Preliminary	<ul style="list-style-type: none"><li>▶ Mathematics</li><li>▶ English</li></ul>
Intermediate Part I	<ul style="list-style-type: none"><li>▶ Industrial Evolution and Management</li><li>▶ Economics aspects of industry and commerce</li><li>▶ Commercial practice, office management and business methods</li><li>▶ Book-keeping and accounts</li></ul>
Intermediate Examination Part II	<ul style="list-style-type: none"><li>▶ Production methods and services</li><li>▶ Costing (four papers)<ul style="list-style-type: none"><li>— Part I-labour</li><li>— Part II-materials</li><li>— Part III-general expenses</li><li>— Part IV-compilation, summarising and the control of accuracy of cost records</li></ul></li></ul>
The final exam part A	<ul style="list-style-type: none"><li>▶ Management-factory and distribution</li><li>▶ Advanced accounting</li><li>▶ The legal aspects of industry and commerce</li><li>▶ Statistical methods</li></ul>
The final examination part B	<ul style="list-style-type: none"><li>• Advanced costing<sup>138</sup></li></ul>

## Milestone 58: Launch of the Institute Fellowship Diploma in Management Accountancy

Date: 17th December 1952

The introduction of the Fellowship Diploma in Management Accountancy was in effect to create a recognised qualification for the management accountant.

*The trend in industry today is towards integrated systems of accounts, combining both the newer management accounting functions and the financial accounting functions under the control of one person, competent in the techniques of both.*<sup>139</sup>

It was approved by the Institute Council in October 1950, and first examined in December 1953. At its launch, Institute President, Mr Sidney Tyrrell, announced:

*The establishment of this postgraduate qualification is a significant advance in the accounting world and directors and shareholders of companies will be particularly interested as the new Fellowship will be the highest qualification obtainable for management accountancy in all its aspects.*<sup>140</sup>

The syllabus for the Fellowship Diploma in Management Accountancy included:

<b>Fellowship examination syllabus</b>	▶ Management-factory and distribution
	▶ Statistical method
	▶ Advanced Cost Accountancy
	▶ Company law
	▶ Management accountancy
	▶ Economic aspects of industry and commerce <sup>141</sup>

Unfortunately for the Institute, demand for the diploma didn't materialise, and it was discontinued in the early 1970s. Maybe the Diploma had been ahead of its time. However, much of the content of the Fellowship Diploma would eventually be subsumed into the Institute's membership examination syllabus.

## Milestone 59: The Institute Lions

Date: June 1953

The Institute Coat of Arms, in 1953, was joined by a pair of lions, one on either side. One of the fierce lions carries the symbol of crossed tallysticks, which represented the ancient method of accounting. The other Lion carries the symbol of an hourglass, which represented the measurement of time. Wheels at the foot of each lion are representative of Industry.

In the inclusion of two fierce lions, at this time, it feels like a statement for the Institute's new energy and increased position, that had been achieved since the end of the Second World War.



## Milestone 60: The functions of the management accountant

Date: October 1953

A paper by Mr J A Scott gave the simple definition of a management accountant as, 'an accountant who helps management — all levels of management.'<sup>142</sup>

In defining the difference between Cost and Management Accountancy Scott emphasised:

*...I think the distinction must lie in the fact that the management accountant, apart from being able to deal with monetary results, (a) must be able to deal with the analysis of the underlying causes affecting the results; (b) must not be content with reporting what has happened, but should be in a position to help to indicate what should be planned to happen and to report what has happened as compared with what should have happened; and (c) has to make a practice of formulating the financial effort of projected plans and forecast.*<sup>143</sup>

The functions of the management accountant, important in 1953, included:

- ▶ **Objectives:** If a management accountant is to help the management team he must have a clear idea of what management is getting at — what are the broad objectives. He must never lose sight of the wood for the trees.
- ▶ **Report on the current and forecast success in achieving ends:** To inform management of the relative successes which have been achieved and to report this promptly, daily, weekly or monthly.
- ▶ **Interpretation of reports:** If the management accountant is to help management he cannot afford to be satisfied with reporting — he must help to interpret the reports particularly as to the economic and financial effects which have arisen or will arise as a result of management policies.
- ▶ **Reporting on the means for achieving the ends:** Whilst management accountancy should be able to provide an indication of the relative degree of success achieved in reaching the objectives, it must also be concerned with the effectiveness of the means of attaining these objectives.
- ▶ **The techniques available to the management accountant:**
  - Budgetary control
  - Standard costing
- ▶ **Effect of broad economic factors on price and volume:** The management accountant must keep an eye open for possible changes in the factors and be able to inform management of the financial effects of change.<sup>144</sup>

Other areas under the remit of the management accountant included: special cost investigations; product mix and product pricing; plant replacement and extension; taxation; finance; and inflation.

Just five months later, *The Cost Accountant* published an article on 'The peculiar position of the management accountant'.<sup>145</sup> The author, Mr A W Field ACWA, provided readers with a handy list that described 'the essentials' of a management accountant.

- (a) sound technical ability as an accountant
- (b) ability to present facts, figures and reports
- (c) ability to cooperate with other executives
- (d) ability to hold the respect and confidence of directors and staff
- (e) a flexible, pioneering, and courageous outlook
- (f) a thorough knowledge of his organisation
- (g) a knowledge of the industry generally
- (h) an understanding of trade and national conditions
- (i) ability to view the business broadly
- (j) a highly developed sense of responsibility
- (k) anticipation of policy.<sup>148</sup>

## Milestone 61: Electronic digital computers and business data processing

Date: April 1955

*The Cost Accountant*, in April 1955, used the term 'digital' for the first time in relation to technology and computers. It was a sign of things to come, that would profoundly change cost and management accountancy.

A sub-committee had been set up, by the Institute in 1954, to investigate the applications of electronics to industrial accounting. Their report, 'electronic digital computers and business data processing' was published in April 1955.

The sub-committee noted that advances in the field of electronics and automated control mechanisms were changing the way information was handled.

*These developments have profound implications for the future operations of industry and commerce; but there are major, direct impact on accounting and administrative techniques will derive from the use of automated electronic digital computers in business procedures. The ability to process masses of data at very high speed, to process from basic, elemental units of information to prescribed end results substantially without intermediate human intervention, may transform accounting and administrative operating procedures and techniques and will greatly influence the scope, nature and the timeliness of controlled reports to management.<sup>147</sup>*

Just seven months after the first report by the Electronics sub-committee, 50 members and students of the Stoke-on-Trent District Sub-Branch visited the Nelson research laboratories at Hixon, part of the English Electric Company. There, they were able to see the "DEUCE", the electronic computer which had been used during a recent general election. The demonstration provided much excitement and many questions.

*Many questions were asked about the possibility of using the computer on straight accountancy routine. Mr Grant, the E.E. Works accountant, described an interesting experimental payroll which had already been prepared with the aid of "DEUCE".<sup>148</sup>*

Milestone 62: First award of the Institute medal – ‘For Outstanding Merit’

Date: 4th June 1955

The first award of the Institute gold medal was presented to Mr Roland Dunkerley FCWA, at the Annual General Meeting on 4th June 1955. Although the scheme for the award of gold and silver medals had been inaugurated some years earlier, this was the first presentation to be made. The Institute medal is embossed with the Institute coat of arms on one side and the words, ‘For Outstanding Merit’ on the other.

The medal citation for Mr Roland Dunkerley read:

*The award is made for outstanding services to the Institute and profession over a long number of years. Roland Dunkerley was a member of the original Council of the Institute and has had continuous service as a Council member ever since. With one small break he has also been continuously a member of the Council's Executive Committee.*

*He was for many years Honorary Secretary of the Institute and was the first Institute Branch Secretary (Manchester). He has been Chairman and President of the Manchester Branch and President of the Sheffield Branch in the formation of which he was intimately connected as, indeed, he was in the formation of branches at Liverpool and Leeds. He was President of the Institute in 1933-34.*

*He has written many papers on professional subjects and has spoken at a large number of meetings and conferences both in this country and overseas. He has played a leading part in the development of modern techniques in cost accounting particularly as applied to steel; coal; electrical and mechanical engineering; and textile industries.*

*For 36 years he has devoted himself with unflagging zeal to the affairs of the Institute. In the early formative years, he was one of a small band of pioneering enthusiasts whose faith in the ultimate destiny of the Institute provided the driving force so necessary during a period of initial difficulties. No history of the Institute would be complete unless prominence were given to the record of the untiring devotion of Roland Dunkerley.<sup>149</sup>*

Since the award of the first medal in 1955, there have only been another thirty-nine recipients of the highest Institute award in 64 years.

## Milestone 63: 28th National Cost Conference – ‘Electronics in industry’

Date: 30th to 31st May 1957

The electronic technological revolution was in full flow by 1957.

Mr D Mayman ACWA, Cost Accountant at Hindley Brother Limited, warned his Institute and members:

*The rate of development and scientific and industrial achievement should be appreciated by the accountant. More time should be spent on problems of the future and less on recording the past. Historical accounts will be presented less regularly, and accounting machines will become made to assessing possible results of alternative courses. The accountant must develop his intellectual powers to be ready to except change and be able to adapt his tools and techniques to meet new conditions.<sup>150</sup>*

The Institute saw the electronic revolution as such an important issue that it appointed an Electronics Sub-Committee to review the fast-changing landscape and report back. A report, ‘Electronic Computers, Their Commercial Application’, from a member of the sub-committee was published in June 1957. The report discussed:

*...the preliminary investigations before a decision regarding the installation of the computer; the staff and the time required for such investigation; possible fields of application; the facilities required in a commercial computer; work involved in preparing for an installation; sales analysis as an example of a computer application; programming staff required.<sup>151</sup>*

‘Electronics in Industry’ became the theme for the Institute’s 28th National Conference. The conference was held in London, at the Connaught Rooms, with a President’s informal reception, at the Stationers’ Hall, Ludgate Hill, in the evening. Entertainment at the President’s reception included a string orchestra, Harold Taylor, ‘The Master of Magic’, and Lisa Desti, the Viennese singer.

The conference's main speaker was the Right Honourable, Viscount Chandos, Chairman of Associated Electrical Industries Limited. His address was entitled, 'The economic consequences of electronics in industry'. He told the conference audience they had nothing to fear from automation.

In short, I cannot see, within the bounds of the immediate future, anything to fear from automation, but rather very much upon which to base our hopes, though in the remote future new problems might arise from its use. I quite admit that we shall have to be intelligent, and much more intelligent than we are, about the means of exchanging these necessities of life; that we shall have to adapt our monetary system with more imagination than we use, to make it keep in step with the ever-increasing production of wealth with modern invention — and in my context, automation — will enable us to command.

These remarks may seem like platitudes, but I think they are worth making, because the spreading use of machines is starting a new Luddite complex, not only amongst labour as such but amongst employers. It leads people to suppose that you will get poor by increasing the means and methods of getting rich. It must be confessed that such a paradox is quite possible if we are unintelligent. For example, we can even today witness huge unsold stocks of wheat at the very time when a large part of the world is ready to consume them.

Before I leave this part of the subject, I cannot help underlining the anomaly by which at one and the same time we witnessed these marvellous products of the human brain, and simultaneously witness so little constructive thoughts upon how they should be used. I have often asked what the historian of the future will say about the civilisation which can produce a silent motor car capable of one hundred miles an hour, and which has so arranged its affairs that it is the slowest method of transport between the Connaught Rooms and Victoria station. (laughter)

Summing up this part of my thesis, it is this: that the spread of automation will increase wealth and that, properly handled, industry and the worker have not only nothing to fear but also every reason to dream new dreams and foresee new perspectives from this development.<sup>152</sup>

I now turn to the other use of computers, namely for the less unusual but no less important matters, such as cost accountancy and stock and production control. There is, I suppose, a large practical difference between using a computer for mathematical problems and for a payroll or accountancy. Mathematics call for a small input of data, from which large calculations are made while payroll and cost accountancy matters mean a large input of data within small calculating time and long continuous outputs.

The development of these two types of computers must follow divergent and not parallel lines. Everyone in this audience will know, although it is not yet grasped by the laity, that the problems involved in cost accountancy and payment of wages, are not those relating to the machines but to the application and the systems under which you use them. We can make computers of all sorts and different kinds of speeds, with the storage of information as an adjunct, either of small or large capacity. At this moment I do not think that the problems of production of the computer compare with the problems which are on your plate of inventing and devising the business system, which contained the use of computers to the best advantage. We are all studying the use of computers in this field — banks, insurance companies, industrial companies, and so forth. I do not think that at the moment we have got far enough to entrust the calculations of elaborate payrolls to the computer, but we are not that far away.

I am no prophet, only an industrialist, but I venture this prophecy this afternoon: that within the next five years, we shall have systems enabling the wages to be calculated and paid by the use of computers, however complicated the bonus and piece-work rates which have to be incorporated in the wage packet may be. We are not far away from techniques which enable cheques to be scrutinised, listed and passed for payment by the use of computers.

In other words, I am passing the buck to you — give us a business system for instance, of cost accountancy, which would have your support, and I would feel pretty sure that we could develop the machines to give you what you like. We shall live to see the day when the auditor will arrive with his own portable computer on which he will be able to check the accuracy of our calculations (laughter).

Of course, it is a commonplace to say that computers can only make calculations of problems which are given them and can only store in their electronic memories the results. We have not yet got to a point where any part of the risk, or imagination, or future programme can be replaced by a machine. It can only give us quicker and more accurate data upon which to base our plans. The computer will not prevent a prospectus being fraudulent; it is more likely to prevent an honest prospectus from being inaccurate.

In conclusion, I repeat that I can only see the economic consequences of electronics in industry being beneficial. I think it will be unjustifiably pessimistic to imagine that a man is going to be so stupid as to transmute the greater power to create wealth into greater poverty. Surely, it cannot be too much to hope that we shall also develop in our brains sufficient sense to transmute plenty into wealth and not, by some ingenious process, converted into bankruptcy, ruin and frustration.

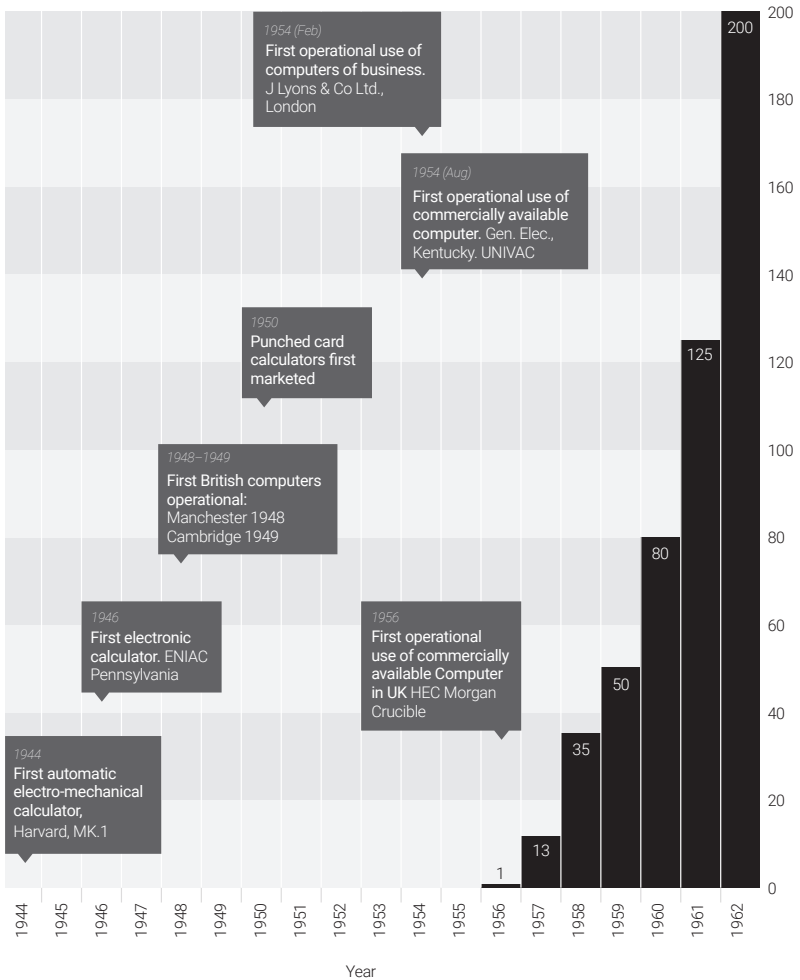
We must therefore try, with all our might, to increase our general education to keep pace with our power of invention, and not to go down to history as the most ingenious but extinct species which, whilst capable of splitting the nucleus, has proven only to be incapable of securing its own survival. (sustained applause)<sup>153</sup>

## Milestone 64: The challenge of electronics to the accountant

Date: November 1963

A paper by Clive De Paula, published in the *Institute Journal*, considered the impact of electronics on the accountants of the future.

The author, 'estimated that as yet the impact of electronics has probably been felt by not more than 5 per cent of all accountants in the United Kingdom, and those with direct experience of electronics are not more than 1 per cent.'<sup>154</sup>



After summarising the development of E.D.P. (Electronic Data Processing) De Paula outlined the impact of the electronics and the challenge to accountants.

*The most important task will be to help management to understand both how to use computers effectively and how to plan the management control systems within which the computers are used. If they can help managers to understand and develop the systems, the computers will be available to do the processing.*<sup>155</sup>

The impact on accountants in commerce and industry was explored.

*Already, without electronic data processing, the role of the accounts and income as an industry has, in recent years, assumed progressively greater importance in the United Kingdom. Much of this has been due to the growing emphasis on management accounting techniques, as distinct from the pure recording of financial historical records. Now, the advent of electronic data processing equipment provides the accountant with an ever more powerful tool to assist in progressing beyond the present techniques.*

*However, both during and after its installation, electronic data processing is a multi-department activity that must be carried out by a team, in which each team member contributes his expertise in his own particular subject. Experience shows that in such a team, leadership usually goes to the strongest and most knowledgeable personality. Since much of the work will be on accountancy applications, accountants and commerce and industry are in a strong position and should take the lead in what is at present a relatively open field.*<sup>156</sup>

## Milestone 65: Institute Journal – Management Accounting

Date: January 1965


1965 witnessed a change of title for the Institute Journal. For nearly forty-five years *The Cost Accountant* had been the voice of the Institute.

In the first issue of the newly titled *Management Accounting* journal, the President of the Institute explained the name change.

After much careful thought the time-honoured name of the journal since the first issued in June 1921 has been changed. This has ceased to be fully descriptive of the content which covers the whole field of management accounting.

The change over the years in the content of the journal has reflected a similar change in the activities of the Institute and of its members. The Institute was formed in 1919 for the very practical purpose of developing the functions of cost and works accountancy which had grown up like Topsy, particularly out of the necessity of economic production during the Great War. The founders of the Institute did the work that was set before them, which was the development of this new field of accountancy, and it was some years before this pragmatic approach was followed by any deep consideration of the real nature of cost and works accountancy and its place in the context of accountancy as a whole.


It then became apparent that the distinction between cost and works accountancy and traditional accountancy was essentially a difference of purpose. The purpose of cost and works accountancy was to provide information as the basis for management action, while the purpose of traditional accountancy was mainly that of the custody of the interests of the business and the rendering of an account of stewardship to its owners. Nevertheless, traditional accounts had a certain value for management purposes, as, for example, information derived from a profit and loss account and balance sheet; and cost and works accounts had a valid value for custody and stewardship purposes, such as the information derived from store accounts or capital expenditure costs.



The year 1950 saw the visit to the USA of the Management Accounting team under the leadership of Mr I T Morrow, subsequently President of the Institute, and with Mr S J D Berger as its secretary, in which the term management accounting came into common use. It might be defined as the use of the accounts of an undertaking, extended by cost accounts, to provide information for management action.

With this realisation that the activities of the Institute and its members are not confined to a particular section of the accounts of a business, but are concerned with all its accounts, the examinations of the Institute have been widened in their scope to ensure among other things now is admitted to its membership have the requisite knowledge to operate a complete accounting system as part of the broader function of financial management.

These developments do not diminish the value of the expertise of cost and works accountancy: they serve to place it in its proper setting. Cost and works accountancy, as practised by the members of the Institute with their practical experience of costing in industry and their ability to see figures in terms of real things and real happenings, is the very stuff of management accounting.<sup>157</sup>



## Milestone 66: The future of the profession

Date: 30th March 1966

A letter, on the future of the profession, from the Institute Secretary was sent to all members of the Institute on 30th March 1966.

The letter announced that discussions were taking place between the Institute, and The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland, The Institute of Chartered Accountants in Ireland, The Association of Certified and Corporate Accountants, and, The Institute of Municipal Treasurers and Accountants, regarding the scope and structure of the accountancy profession in the United Kingdom.

Discussions considered ways in which the public interest of the profession could be developed and:

- (1) Whether there is scope for reducing the number of separate professional bodies and qualifications in England and Wales, Scotland and Ireland respectively
- (2) Whether changes should be made in the form, methods and standards of education, training and experience, bearing in mind the quality that is now needed for the performance of the more advanced professional services, whether in public practice, industry, commerce or public service
- (3) Whether in the future there should be two recognised levels of professional qualification related respectively to higher and lower standards of education, training and experience and, if so, what arrangements there should be to enable those qualified in the lower levels to proceed to the higher levels
- (4) Whether a single professional designation can be adopted, having regard to the fact that training will be in public practice, industry, commerce or public service<sup>158</sup>

The discussions continued and in 1968, were turned into 'a scheme for integration' for the six major accountancy bodies in the British Isles. Voting for Integration, by each membership body, started in 1969. However, in August 1970, the scheme for integration, was killed off when the membership of the English Institute rejected the proposal. For the Institute, this period was a difficult time, as it felt in limbo, not knowing whether the future would be within an integrated body or one proceeding as independent body.

The death of the scheme of integration gave the Institute a new energy and confidence to strike out alone. Stanley Edward Woods, the President, outlined the Institute's principal objective, 'to foster the development of industrial accountancy at home and abroad.'<sup>159</sup>

He then translated this objective into general aims:

*The general aim will be to develop the education and training of members whose role would be to select, collect, analyse, integrate, interpret and communicate information needed by all levels of management in the planning, operating and controlling of undertakings. Standards of entry need to be raised and higher standards of education and training will be pursued. Post-qualifying education will receive far greater emphasis.*

*The Institute has already members and students in many countries and it is now in a position to develop as an international body, helping to spread the knowledge of management accounting throughout the world.<sup>160</sup>*

## Milestone 67: Act or die?

Date: June 1967

An extract from *The Impact of Computers* by Mr B J Giles, published in *Management Accounting*:

*If the accountant does not except the challenge of the computer, he surely will be superseded by a new breed who will provide management with the information it needs.*

*The complacent accountant must be made to realize that there is a challenge and that it is urgent; just reading a few articles or occasionally attending a seminar is not enough.*

*Accountants must become prime movers in developing computer systems; otherwise the mathematician, the scientist and the engineer will bypass them in their own field.*

*I have, perhaps, given the impression that the leaders and thinkers of our profession have been negligent in overlooking this tremendous problem. This would be unfair because at practically every conference and seminar and in most accounting journals reference is made to the growing impact of E.D.P. [Electronic Data Processing]. The fact remains though that accountants, with the exception of those who have been actively engaged in planning data processing systems, are, in the main, unaware of the implications that the computer will have on the future of all of us.<sup>161</sup>*

Milestone 68: A message from the Prime Minister on the 50th anniversary of the founding of the Institute of Cost and Works Accountants

Date: March 1969

10 Downing Street  
Whitehall

Through the pages of “Management Accounting”, I send my warmest congratulations to the Institute of Cost and Works Accountants and its members on the Institute’s Jubilee. Over the past 50 years the Institute has given invaluable service to this country by developing and applying costing techniques and by playing a leading part, with other branches of the accounting profession, in the development of management accounting. It was my privilege to address your London Regional Cost Conference in November 1961, and I well remember the constructive discussion which followed.

British industry needs to modernise and adapt itself if the British economy is to prosper. It is not always realised outside of your profession how important the part which accountancy play by providing management with the information which is vital to a right decision. If British exports are to be competitive, manufacturers must have accurate and relevant cost data on which to base their pricing policies. The incorrect loading of a marginal export order with overheads could lead to an exporter pricing himself out of a valuable order, at a cost to himself and the country.

Management decisions are only as good as the data on which they are based and that applies equally to decisions in central and local government. Cost accounting is highly developed in the productive parts of the public sector for instance, the Royal Ordnance factories. But the principles of management accounting should be applied to many other areas of public spending, such as the social services: indeed, this is vital if we are to ensure that the country gets the best value from the resources devoted to them.

My congratulations and best wishes, then, to the Institute and its members for what they have achieved in the last 50 years.

**Harold Wilson**<sup>162</sup>

## Milestone 69: The Institute of Cost and Management Accountants (ICMA)

Date: 2nd March 1972

The Institute changed its name from The Institute of Cost and Works Accountants, to The Institute of Cost and Management Accountants, after a membership vote on a special resolution, in January 1972. Also consulted was the Secretary of State for The Department of Trade and Industry, who would have to sanction a change of name.<sup>163</sup>

‘The substituting of the word ‘Works’ for ‘Management’ in the title, ‘more accurately reflects the purpose of the Institute today and the qualifications and standing of its members,’ explained the *Institute Journal*.<sup>164</sup>

Another motivation for the name change was the failure of the Accountancy Profession, in the British Isles, to integrate in 1970 (milestone 66). At the time the Council had stated it was considering, ‘the possibility of changing the Institute name so that it reflected more accurately the Institute’s aims and activities.’<sup>165</sup>

Interestingly, the Institute Journal had come to the same conclusions seven years earlier, when it became *Management Accounting*.

## Milestone 70: The Terminology of Management and Financial Accounting

Date: January 1975

Just as the *Costing Terminology*, published in 1937, had defined the Institute's space, so the publication of *The Terminology of Management and Financial Accounting*, outlined the Institute's sphere of influence in a new world and to a new generation.

The Institute's journal highlighted the language problem accountancy suffered from:

*Every profession has its own "language"; Accountancy has two — cost/management and financial, each concerned with a different aspect of the same basic information. Each too has its ambiguities and vagaries, even for an accountant, and to the average non-financial manager and shareholder they can be next to unintelligible.*<sup>166</sup>

Meanwhile, technical advances in accountancy had developed ahead of the dictionary and its two updated editions in 1952 and 1966. A new publication was necessary, to redefine the space that the Institute now found itself within. Hence the title change. As *Management Accounting* explained, "The difference this time is that it is comprehensive of cost/management and financial accountancy terms — and is the first publication anywhere to be so inclusive."<sup>167</sup>

The new terminology gave working definitions of 197 terms used in cost and management accountancy and 162 terms in financial accountancy. Terms had also been classified and assembled so that related terms could be found together.

## Milestone 71: The Institute is granted a Royal Charter

Date: 13th February 1975

On Wednesday 13th February 1975, the Queen in Council approved the grant of Royal Charter of Incorporation to the Institute.

### ROYAL CHARTER

#### ELIZABETH THE SECOND

By the grace of God of the United Kingdom of Great Britain and Northern Ireland and of Our other Realms and Territories Queen, Head of the Commonwealth, Defender of the Faith:

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING!

WHEREAS an humble Petition has been presented unto Us by the company incorporated in the year of our Lord One thousand nine hundred and nineteen under the Companies Acts 1908 to 1917 and now known as ‘The Institute of Cost and Management Accountants’ (hereinafter called ‘the Company’) praying for the grant of a Charter of Incorporation:

AND WHEREAS We have taken the said Petition into Our Royal Consideration and are minded to accede thereto:

NOW KNOW YE that We by virtue of Our Prerogative Royal and of Our especial grace, certain knowledge and mere motion have willed and ordained and by these Presents for Us, Our Heirs and Successors do will and ordain as follows:

1. The persons who are now the members of the Company and all such persons as shall hereafter pursuant to this Our Charter and the Byelaws become Members of the Body Corporate hereby constituted and their successors, shall forever hereafter be by virtue of these Presents one Body Corporate and Politic by the name of ‘The Chartered Institute of Management Accountants,’ (hereinafter referred to as ‘the Institute’) and by the same name shall have perpetual succession and a Common Seal, with power to break, alter and make anew the said Seal from time to time at their will and pleasure, and by the same name shall and may sue, and be sued in all Courts, and in all manner of actions and suits, and shall have power to do all other matters and things incidental or appertaining to a Body Corporate.

2. The objects of the Institute shall be: (a) to promote and develop the science of Management Accountancy and to foster and maintain investigations and research into the best means and methods of developing and applying such science and to encourage, increase, disseminate and promote knowledge, education and training and the exchange of information and ideas in respect of all questions relating thereto or connected therewith; (b) In the interests of Members and the public, to provide a professional organisation for Management Accountants and by means of examination and other methods of assessment to test the skill and knowledge of persons desiring to enter the profession.

3. (a) The income and property of the Institute, whencesoever derived, shall be applied solely towards the promotion of its objects as set forth in this Our Charter as amended or added to in the manner hereinafter provided and no Member shall as such have any personal claim on any of the said income or property;

(b) No part of the income or property of the Institute shall be paid or transferred directly or indirectly by way of dividend, bonus or otherwise howsoever by way of profit to its Members, provided that nothing herein contained shall prevent the payment in good faith of remuneration to any Member thereof, or to any other person in return for services rendered to the Institute, or the payment in good faith of expenses incurred by any such person in providing such services, or the payment of interest at a rate not exceeding one per cent above the Bank of England minimum lending rate for the time being in force on money borrowed from any Member or any payment becoming due under or by virtue of any indemnity given by the Institute to any officials or servants or to any Member in accordance with the Byelaws;

(c) No payment of remuneration (other than reimbursement of out-of-pocket expenses) shall be made by the Institute to any member of the Council of the Institute (hereinafter referred to as 'the Council') except as may be specifically permitted by the Byelaws.

4. In furtherance of its objects the Institute shall, subject to this Our Charter and the Byelaws, have the following powers:

**(a)** to promote, conduct and support research into the science of Management Accountancy and to publish the results of such research;

**(b)** to lay down standards of education, training and experience appropriate for practitioners in the science of Management Accountancy and to hold examinations and tests of knowledge and experience and to award certificates and diplomas to those who pass such examinations and tests and, in circumstances provided by the Byelaws or expressly approved by the Lords of Our Most Honourable Privy Council (of which approval a certificate under the hand of the Clerk of Our said Privy Council shall be conclusive evidence), to authorise such persons to use such words or letters after their names to indicate the grant of any such diploma, certificate or award as the Institute shall think proper and to exercise such powers either alone or jointly with any other educational or professional bodies, provided that no certificate or other like award issued by or on the authority of the Institute shall contain any statement expressing or implying that it is granted by or under the authority of any Department of Our Government or other authority unless in fact it is so granted;

**(c)** to provide and improve facilities for persons desirous of studying the science of Management Accountancy;

**(d)** to formulate standards of professional conduct and competence for all those engaged in the profession of Management Accountancy, to frame and establish rules (by way of Byelaw, regulation, code, or guidelines of any kind) for observance in all matters pertaining to professional practice therein, to discipline Members and Registered Students who fail to comply with such standards and rules, to co-operate with other bodies in the setting up of organisations for the purpose of dealing with cases of failure to comply with such standards and rules, to refer cases of alleged failure which are deemed by the Institute to require independent investigation and determination in the public interest to such organisations, and to consider recommendations from such organisations for review of the disciplinary and related provisions of the Institute; for the purpose of this article “organisations” shall include any form of body, whether corporate or not;

**(e)** to hold conferences, meetings, seminars and discussions, and to promote the reading of learned papers;

(f) to publish, produce and distribute and to assist in the publication, production and distribution of books, literature, pamphlets, films, posters, periodicals and journals;

(g) to establish and maintain a library and collection of literature, films and other material;

(h) to procure that, subject to the laws of the country concerned, the Institute be registered or recognised in any part of the World;

(i) to institute and establish training courses, scholarships, grants, awards and prizes and to promote education;

(j) to confer, consult, maintain contact and co-operate with any authorities, associations, societies, institutions or bodies of persons established or to be established in Our United Kingdom or elsewhere and to promote the science of Management Accountancy internationally;

(k) to make arrangements for the carrying on of the work of the Institute and for such purpose to engage and provide in whole or in part for the salaries, pensions, superannuation and gratuities for officers, servants and employees of the Institute or the Company and their widows and dependants;

(l) to purchase, take on lease or in exchange, hire or otherwise acquire any real or personal property and any rights or privileges in any part of the World necessary or convenient for the promotion of the objects of the Institute and to construct, maintain and alter any buildings or erections necessary, convenient or fitted for the work of the Institute;

(m) to sell, let, mortgage, dispose of or turn to account all or any of the property or assets of the Institute;

(n) to administer the affairs and property of the Institute in all respects without any restrictions whatsoever and in the same manner as an individual may manage his own affairs and property and, in particular:



- (i) to take over and acquire all the property and assets of the Company and to assume the obligations of the Company and to do all such acts and things as may be incidental thereto,

- (ii) to demand and receive fees, subscriptions and other charges,
  - (iii) to seek and accept donations and legacies,
  - (iv) to borrow monies, whether on the security of any or all of the property of the Institute, or without security,
  - (v) to invest the funds of the Institute not immediately required for its purposes in such manner as may be prescribed by the Byelaws and
  - (vi) to accept obligations and liabilities;
- (o) to undertake and execute any trusts which may be lawfully undertaken by the Institute and may further its objects;
- (p) to establish and support, or aid in the establishment and support of, any association or institution having objects similar to those of the Institute and to subscribe or guarantee money for purposes calculated to further its objects;
- (q) to give guarantees to Building Societies, Friendly Societies, Insurance Companies, Housing Associations, and any similar bodies whether in pursuance of continuing arrangements or not and generally to provide such assistance in connection with the housing of employees of the Institute as the Institute shall deem fit;
- (r) to enter into, and to give effect to, agreements or arrangements of any kind with other institutions (including the Company) whose objects are not repugnant to this Our Charter whereby:
- (i) activities shall be carried on in cooperation,
  - (ii) any such institution shall be or become incorporated in, federated or affiliated to, associated with or recognised for any purpose by the Institute, or the Institute shall become affiliated, associated with or recognised for any purpose by, any such institution; Provided that no incorporation of the Institute in any other institution (except the Company) in the Institute be effected without the approval of the Lords of Our Most Privy Council (of which approval a Certificate under the hand of the Clerk of Our said Privy Council shall be conclusive evidence);

(s) to bear and display the Armorial Bearings granted to the Company by Letters Patent dated the fifth day of October One thousand nine hundred and thirty-two under the hand and Seal of Our Garter Clarenceux and Norroy Kings of Arms and duly recorded in Our College of Arms provided that the said Armorial Bearings, the bearing and use of which by the Institute is authorised by this Our Charter shall first be exemplified according to the laws of Arms and recorded in Our College of Arms in default of which the said authority shall be void and of no effect;

(t) to do such other acts and things (including the promotion of a Bill or Bills in Parliament), whether incidental to the powers aforesaid or not, as may be requisite in order to further the objects of the Institute.

5. The Byelaws shall regulate the admission of Members of the Institute and the Period or periods of such membership and the terms and conditions subject to which such membership shall be held and such Byelaws shall apply as well to the first Members of the Institute as to those admitted hereafter and the Byelaws may prescribe such division of the membership into grades or classes as shall to the Institute seem proper and such divisions shall likewise be binding upon the first Members of the Institute as well as upon Members admitted hereafter.
6. There shall be a President and Deputy President and such number of Vice Presidents of the Institute as the Byelaws may prescribe. They and their successors shall hold their respective offices for such terms and their successors shall be appointed in such manner, as shall from time to time be prescribed by or in accordance with the Byelaws.
7. There shall be such other officers of the Institute as the Byelaws may from time to time prescribe or authorise and they shall have such powers and duties and such periods of office and shall be appointed in such manner as may be prescribed by or in accordance with the Byelaws.
8. (a) There shall be a Council of the Institute in which shall be vested the government and control of the Institute and its affairs, subject to the provisions of this Our Charter and to the Byelaws and Regulations of the Institute.

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- (b) The first members of the Council shall be the persons whose names are set forth in the First Schedule to this Our Charter and they shall continue in office for such period as shall be prescribed by or in accordance with the Byelaws. (This article is spent; the First Schedule having been deleted).
- (c) The successors to the first members of the Council shall be such number of Members of the Institute and such other persons, with such qualifications, appointed in such manner and holding office for such period and on such terms generally as shall be prescribed by or in accordance with the Byelaws.
- (d) The business of the Council shall be conducted in such manner as shall be prescribed by or in accordance with the Byelaws.
9. (a) The Byelaws may, subject to the provisions of this Our Charter, govern such matters as the Institute may deem fit and meet with respect to or for the government of the Institute and the promotion of the objects of this Our Charter.
- (b) The Byelaws set out in the Second Schedule hereto shall be the first Byelaws of the Institute.
10. The Members of the Institute may, by Special Resolution in that behalf, make Byelaws adding to, amending or repealing the Byelaws for the time being in force; but no Byelaws so made shall have effect until approved by the Lords of our Most Honourable Privy Council, (of which approval a Certificate under the hand of the Clerk of Our said Privy Council shall be conclusive evidence).
11. The Byelaws may direct that any matter which pursuant to this Our Charter might be prescribed or regulated in the Byelaws may be further prescribed or regulated by Regulations; provided that any such further prescription or regulation shall not be repugnant to the provisions of this Our Charter or the Byelaws. Regulations may be added to, amended or repealed in like manner to that in which they were respectively made.
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12. Regulations shall be made, amended or revoked by resolution of the Council, provided that the Byelaws shall designate specified Regulations, or Regulations pertaining to a particular matter or right of the Members, as incapable of amendment or revocation without the approval of the Members of the Institute voting in general meeting or by postal or electronic ballot. Regulations may provide for any matter to be further regulated in other documents approved by the Council or by a person or body to which such power of approval has been delegated.
13. The Members may at any time amend or add to this Our Charter by a Special Resolution in that behalf and such amendment or addition shall when allowed by Us, Our Heirs or Successors in Council become effectual so that this Our Charter shall thenceforward continue and operate as amended or added to. This Article shall apply to this Our Charter as amended or added to in manner aforesaid.
14. The Members may by Special Resolution determine to surrender this Our Charter subject to the sanction of Us, Our Heirs or Successors in Council and upon such terms as We or They may consider fit and wind up or otherwise deal with the affairs of the Institute in such manner as shall be determined by such Special Resolution or in default of such direction as the Council shall think expedient having due regard to the liabilities of the Institute for the time being, and if, on the winding up or the dissolution of the Institute, there shall remain, after the satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid or distributed among the Members or any of them but shall, subject to any special trusts affecting the same, be given and transferred to some association or associations having objects similar to the objects of the Institute which shall prohibit the distribution of its or their income or property among its or their members to an extent at least as great as is imposed on the Institute by this Our Charter, such association or associations to be determined by the Council of the Institute at or before the time of dissolution.

15. For the purposes of this Our Charter ‘a Special Resolution’ means a resolution passed at a General Meeting of the Members convened and held in accordance with the Byelaws and Regulations and passed by not less than two-thirds of the Members present and voting at the Meeting.

16. (a) In any case of conflict, then provisions of this Our Charter shall prevail over those of the Byelaws and Regulations, and the provisions of the Byelaws shall prevail over those of the Regulations.

(b) Our Royal Will and Pleasure is that this Our Charter shall ever be construed benevolently and, in every case, most favourably to the Institute and the promotion of the objects of this Our Charter.

IN WITNESS whereof We have caused these Our Letters to be made Patent.

WITNESS Ourselves at Westminster the eighteenth day of March in the twentyfourth year of Our Reign.

**BY WARRANT UNDER THE QUEEN’S SIGN MANUAL<sup>168</sup>**

## Milestone 72: Living up to the Royal Charter

Date: April 1975

The granting of the Royal Charter is such a key event in the Institute's history it therefore deserves two milestone entries (three, if you count the first application in November 1921; milestone 17).

In the United Kingdom, there around 750 organisations with Royal Charters that have been granted by the Privy Council and the Sovereign. The history of the Royal Charter in England goes back to the tenth century when they were awarded to universities, groups of weavers and towns. Royal Charters when awarded to professional bodies, demonstrate their record of achievement, that they are financially stable and have permanence in their field of expertise.

The Institute President, Mr Denys Edmonds, said at the time that the Royal Charter represented:

*...the highest possible confirmation of the status and professional reputation of the Institute and, particularly, of its standing in industry, commerce, government departments and the services which are the main fields in which members are specifically qualified to operate.<sup>169</sup>*

Edmonds went on:

*Every ICMA member and every student, here and in many countries abroad, will take pride in this, the most momentous point in the Institute's history. It ought to be a matter of pride, too, to the whole profession that qualified accountants of whichever discipline are now members of a chartered body.<sup>170</sup>*

Many messages of support from business and industry were made in the Royal Charter application, and some were published after the award.

### **Sir Joseph Rank, chairman, Rank Hovis McDougall Ltd**

*We consider that the members of the Institute make a pronounced contribution to the successful performance of industry. The character of the work ... is different from the work performed by other accountants but is complimentary.*

### **Dr A W Pearce, chairman, Esso Petroleum Company Ltd**

*The high standard of education and training inherent in the award of your institute's membership has enabled your members to fill important positions in this company. The facilities to allow training to be undertaken in industry are particularly useful to us.*

### **Sir Alistair Pilkington, chairman, Pilkington Brothers Ltd**

*Our information for management system, in the development and operation of which your members have been closely involved, has been of considerable assistance in controlling costs and directing effort along the most profitable channels... The quality of your members we have employed has been clear evidence of the high standard demanded.*

### **Sir John Clark, Chairman and Chief Executive, The Plessey company Ltd**

*Cost and management accounting, as a specialised branch of the accountancy profession, has developed over the years to such an extent that it now occupies a central and important position in the field of industrial management. We have no hesitation in endorsing the contribution which the Institute has made to this development and, indeed, we feel that without the far-sighted improvement in techniques which the Institute has fostered, the financial controls available to modern management would be very much less precise than they are today.*

### **Lord Iveagh, Arthur Guinness Son and Company Ltd**

*The Guinness Group of Companies employs members of the Institute together with chartered accountants and certified accountants in a variety of management posts and it has been our experience that the valuable contribution to our business by Institute members has been at least equal to that of their accounting colleagues and is on par with that of their contemporaries in the many other professions represented in the group's activities.<sup>171</sup>*

For the President, the awarding of the Royal Charter was not a time to stop and rest on the Institute's laurels. Edmonds pointed out that:

*...the seal is not only of recognition of the institute's status but of the ever greater responsibility now placed on members and registered students to work for the greater efficiency and profitability of industry and commerce.<sup>172</sup>*

For the institute: 'We are fully aware that technological changes take place very rapidly and, just as we have kept pace to date, so we will continue to ensure that education, research and all the facets of Institute activities keep abreast of developments.'<sup>173</sup>

The milestones in the final section: *From Management Accounting to Value*, 1976 to 2018, will explore how the Institute has managed to keep pace with change and stay relevant to business and industry around the world.

## Milestone 73: The Institute Examination Committee approves the use of electronic calculators

Date: September 1975

A letter to the editor in May 1975, from Mr Howard, 'wondered if any progress has been made in bringing this Institute in line with the electronic age.'<sup>174</sup> The issue, for Mr Howard, was when would the Institute allow the use of electronic calculators in its examinations? The response from *Management Accounting* readers was overwhelmingly in favour of the use of electronic calculators. Mr Poynton, in his letter, pointed out:

*As one of the Institute's older, if not the oldest student, I find that every moment of the time available during examinations is used. More often than not, in financial papers, this involves dozens of routine calculations for which I have to use a mechanical adding machine and a slide rule, both very much slower than the calculator used every day for private use and study.*

*Surely, the Examinations Committee has realised that the more time students have to spend doing these basic but time-consuming calculations the less we can spend on methods and presentation. It would not be unreasonable to expect that if calculators were permitted during examinations there could be an increase in the standard of paper presented.*<sup>175</sup>

The decision to allow the use of electronic calculators was made by the Institute's Examination Committee in September. By 1975, electronic calculators were becoming relatively cheap and it was reasonable to expect examination candidates to provide their own.

In permitting candidates to use electronic calculators, at and after the May 1976 examinations, certain conditions were applied:

- (1) Calculator must be noiseless and cordless; under no circumstances will mains-operated calculators be permitted.
- (2) When calculators are required, candidates must provide their own.
- (3) No calculator instruction book may be brought into the examination hall.
- (4) In any question where a calculator has been used, it must be clear to the examiner how the answer has been reached.
- (5) The decision of the supervisor in the examination hall about whether to allow a particular calculator to be used will, in all cases be final.<sup>176</sup>

Milestone 74: Institute Fellow, Sir Robert Muldoon elected Prime Minister of New Zealand

Date: 12th December 1975

Robert Muldoon became the 31st Prime Minister of New Zealand on 12th December 1975. An Institute Fellow, Muldoon would serve three terms as Prime Minister of New Zealand, between 1975 and 1984.

*Mr Muldoon was elected to membership of the Institute in 1949, having won the Leverhulme prize as a student in 1946 — this in itself another notable 'first' in his career, as this prize had not previously been awarded to a candidate from outside the UK. He became a Fellow of the Institute in 1956.<sup>177</sup>*

In 1947:

*Sir Robert joined a leading firm of accountants in Auckland as chief clerk, later becoming a senior partner. He joined the Junior National Party (Young Nationals) and by 1949 was Auckland Divisional Chairman. He progressed to hold various offices in the National Party and entered Parliament in 1960, when he won the Tamaki seat, which he has held ever since. Early in 1964 he was appointed Parliamentary Under Secretary to the Ministry of Finance; he also held the portfolios of Tourism and Finance thereafter.*

*As Minister of Finance, he proceeded to put in practice 'flexible economic policies' in the belief that by taking frequent-to-small measures — 'fine tuning' — the necessity for major 'stop-go' measures could be eliminated. He believes that it makes sense to move as problems emerge, rather than to wait until budget time each year before changing the direction of economic policy.*

*So Robert became leader of the National Party in 1974 and brought the party back to power in December, when he became Prime Minister. The party under Robert won the 1978 and 1981 elections but was defeated in a snap election called in July 1984.<sup>178</sup>*

Muldoon became a Privy Councillor in 1976, was appointed a Companion of Honour in 1977, and Knight Grand Cross of the Most Distinguished Order of St Michael and St George (GCMG) in 1984.<sup>179</sup> He died in 1992, aged 71.

## Milestone 75: The Chartered Institute of Management Accountants (CIMA)

Date: 14th June 1986

This milestone is here, and not in the 'From Management Accounting to Value: 1976 to 2018' section, because the change of name should have taken place in March 1972.

The first appearance of 'Chartered Institute of Management Accountants' in the *Institute Journal*, goes back to October 1970, when a letter to the editor suggested the adoption of 'C.I.M.A.'

**Dear Sir,**

Now that the English Institute has administered the "coup de grace" to the integration proposal, and we are to "go it alone" with a progressive policy, there is nevertheless one action, based in history and upon tradition, which should be taken.

We must agitate, or indulge in lobbying, to become "The Chartered Institute of Management Accountants". Nothing of this appears to have been mentioned in the brochure about proposals to be carried out in the case of an event (at that time, unexpected?), which has now happened.

If enough readers support the above suggestion, and make their voices heard to the Institute, something should be achieved.

V. J. Johnson, A.C.W.A.<sup>180</sup>

In 1972, the membership vote on the Institute name, 'C.I.M.A.' wasn't then an option, as, 'Council concluded that the simple substitution of "Management" for "Works" would be less likely to cause confusion than a complete change of name.'<sup>181</sup>

When the Institute applied for a name change to the *Chartered Institute of Management Accountants*, in January 1983, it was rejected by the British Privy Council.

*In conveying the Privy Council's decision, the clerk of the Council said that it was thought that the use of the word 'Chartered,' as proposed, would be likely to lead to some public confusion between members of the Institute and those of other chartered accountancy bodies.*<sup>182</sup>

The application, rejected by the Privy Council, had had the virtually unanimous support of the Institute's membership. The Institute had reasoned for the change:

*To bring the designation up to date and enable members to be clearly distinguished from others describing themselves as management accountants who are not professionally qualified.*<sup>183</sup>

Privy Council approval for the Institute's name change would take another three years. On 14 June 1986, after a passing of a special resolution at the AGM, the Institute became, The Chartered Institute of Management Accountants.

From management  
accounting to value:

**1976 to 2019**

# Introduction

This is a more difficult section to curate, and to pick out the emerging patterns and themes. We are still too close to events to fully understand their impact on the Institute and its membership.

What can be seen is the management accountant moving out of the back office, and into the centre of the business. They are no longer just internally focused, producing reports, but are now communicating with the whole of the business and with external stakeholders to influencing decision-making.

The tools used to carry out their roles have changed, too. From the one computer terminal in the office to individual personal computers and spreadsheets, management accountants have moved on to smartphones and tablets powered with artificial intelligence and algorithms.

The Institute too, has shifted its focus. It's now global and seeks to play a greater role in the community at large. The Institute has also had to redefine its space to a new generation of accountants and organisations in the 21st century. Just as the Institute's *Costing Terminology* did in 1937, *The Global Management Accounting Principles* in 2014 defines the Institute's space.

The final milestone, then, considers the Institute's future direction and the skills its members need in a digital world.

## Milestone 76: Report of the Long-Range Planning Group – Plans for the future of the Institute

Date: May 1975

Just like the seven individuals, who agreed the Institute's objects in February 1919, the Institute appointed the Long-Range Planning Group in 1973 to review the aims and ambitions of the Institute in the future. The Long-Range Planning Group's report was comprised of four sections:

- ▶ Assumptions about the future environment in which the Institute would be working;
- ▶ Likely effects of the assumptions on the environment;
- ▶ A main strategic aim for the Institute; and
- ▶ A course of action likely to succeed in achieving the main aim, and recommendations to Council.

The report was presented to Council at a special meeting held in May 1975.

At the Council meeting, the main aim for the Institute going forward was approved.

*The main aim of the Institute is to continue, in the light of anticipated changes in the environment, to be a leading professional body in management accountancy, internationally recognised. It will have members working in manufacturing; extractive and service industries; commerce; central and local government; and education.*<sup>184</sup>

Council also recognised that, in order to achieve the Institute aim, it had:

- ▶ To set and expect high standards of professional integrity
- ▶ To ensure research and other means, to extend and promote knowledge and application of management accountancy
- ▶ To ensure a continuing supply of suitably educated and trained members to meet the demands on the profession
- ▶ To promote the use of members' skills wherever relevant
- ▶ To provide the means for communicating ideas, information and experience between the Institute and members and between members themselves<sup>185</sup>

Policy focus for the Institute going forward, agreed by Council included the area of:

- ▶ The Institute and its qualification:
  - (1) To promote recognition of its qualification as the top qualification in management accountancy
  - (2) To provide a post-qualifying education and development programme which will assist members to retain their professional pre-eminence throughout their career
  - (3) To enhance its reputation and standing through research and publishing activities
  - (4) To use its special expertise and standing for the general good and to play a full and responsible role in the world at large
- ▶ Recruitment
- ▶ Education
- ▶ Examinations
- ▶ Training
- ▶ Post-qualifying education
- ▶ Research
- ▶ Publications
- ▶ Library and information services
- ▶ Relationships with other bodies
- ▶ Responsibilities to the community
  - The Institute will seek to play a full role in the establishment of accounting standards and in advising government and its agencies on relevant legislative and other matters and it will set and expect its members to observe high standards of professional conduct.
- ▶ Overseas affairs
  - The Institute will seek to achieve the same status and recognition overseas as in Great Britain for itself, its qualification and its members and generally will pursue the same policies internationally as in the UK.
- ▶ Organisation structure<sup>186</sup>

It is interesting to note here the Institute's desire to play a fuller and more responsible role in the community and the world at large. A demonstration that management accountants and management accounting was moving from an internal organisational view to one at the centre of an organisation looking outwards that also embraced external stakeholders.

## Milestone 77: Ethical guidelines for Institute members and students

Date: March 1979 and March 1992

Members had occasionally expressed uncertainty about the Institute's position on matters of "professional ethics". Therefore, in March 1979, the Institute Council issued an ethical guide to members and students.

The introduction of the ethical guide by the Institute was not to impose a formal code of conduct on its members but provide a resource to which members could refer to, should the need arise. The guide includes advice on:

- ▶ Truth and accuracy
- ▶ Confidentiality
- ▶ Share dealing in employer organisations
- ▶ Terms of employment
- ▶ Withdrawal of service
- ▶ Membership of trades unions
- ▶ Description and designatory letters; and
- ▶ Advertising<sup>187</sup>

In March 1992, the Institute Council approved a new code of Ethical Guidelines for members and students. These superseded the 'Statement of Standards of Professional Conduct and Competence' which had been in existence since October 1987.

## Ethical guidelines: fundamental principles [1992]

The fundamental principles that must be observed by professional accountants are:

- ▶ **Integrity**  
A professional accountant should be straightforward and honest in performing professional services.
- ▶ **Objectivity**  
A professional accountant should be fair and should not allow prejudice or bias or the influence of others to override objectivity.
- ▶ **Professional competence and due care**  
A professional accountant should perform professional services with due care, competence and diligence.
- ▶ **Confidentiality**  
A professional accountant should respect the confidentiality of information required during the course of performing services and should not use or disclose any such information without proper and specific authority or unless there is a legal or professional right or duty to disclose.
- ▶ **Professional behaviour**  
A professional accountant should act in a manner consistent with the good reputation of the profession and refrain from any contact which might bring discredit to the profession.
- ▶ **Technical standards**  
A professional accountant should carry out professional services in accordance with relevant technical and professional standards.<sup>188</sup>

The CIMA code of ethics was last updated in January 2015. Throughout, these codes and guidelines over the years have given employers confidence, trust and consistency in the Institute members they employ.

## Milestone 78: An internationally recognised Institute

Date: September 1979

By the 1970s, there was increasing evidence of the growing international status and influence of the Institute. By 1971, there were more than 2,000 members in 87 countries around the world and students could sit Institute examinations at 92 centres globally.<sup>189</sup> At the time two associations in Sri Lanka and Nigeria were seeking full branch status and four-member centres had been recently set up in Hong Kong, Toronto, Brussels and Perth Australia.

Included in the September 1979 issue of *Management Accounting*, was an *ICMA International Supplement*. The purpose of this special supplement was to publicise institutes international activities and the growth of its network of organisations outside the British Isles, and to encourage members and students to take a full part in them.

Its 38 overseas organisations exist to:

- ▶ Bring members into contact with each other and give them a sense of corporate identity. Arrange meetings for members and students on subjects of local significance.
- ▶ Provide opportunities for members to consult with each other on current professional topics.
- ▶ Promote the Institute locally.
- ▶ Take an interest in the welfare of registered students.
- ▶ Influence Institute policy.<sup>190</sup>

## ICMA strength in 1979<sup>191</sup>

The figures below give the number of members and students registered.

	Members	Students
<b>Africa</b>	<b>1,268</b>	<b>3,777</b>
Ghana	36	273
Kenya*	47	181
Nigeria*	319	1,230
South Africa*	589	1,327
Zambia*	139	298
Zimbabwe-Rhodesia*	51	95
Others	87	373
<b>Asia</b>	<b>1,076</b>	<b>9,406</b>
Hong Kong*	121	808
India	388	353
Malaysia*	106	1,825
Pakistan*	83	159
Singapore*	97	1,097
Sri Lanka*	223	5,009
Others	58	155
<b>Australasia</b>	<b>132</b>	<b>251</b>
Australia*	82	218
New Zealand*	42	23
Others	8	10
<b>North America</b>	<b>430</b>	<b>236</b>
Bermuda*	14	13
Canada*	268	113
USA*	148	110

	Members	Students
<b>Europe</b>	<b>14,457</b>	<b>24,528</b>
Belgium & Luxembourg*	61	23
France*	46	26
Germany*	39	59
Malta*	14	27
U.K.*	13,708	23,150
Republic of Ireland*	487	1,151
Other EEC countries	30	29
Other non-EEC countries	72	63
<b>Middle East</b>	<b>183</b>	<b>621</b>
Bahrain*	29	69
Iran*	14	135
Kuwait*	14	63
Saudi Arabia	37	125
U.A.E.	39	122
Others	50	107
<b>South America &amp; Caribbean</b>	<b>82</b>	<b>185</b>
Brazil*	17	4
Guyana*	6	48
Jamaica*	14	37
Trinidad & Tobago*	19	68
Others	26	28

Figures as at 30 April 1979

\* Countries in which there are ICMA branches or centres.

## Milestone 79: The first female Institute Council Member

Date: October 1980

Mrs Denise Jenkin was elected to the Institute's Council in September 1980. She was the Institute's first female member of Council, representing Area number 10, The Republic of South Africa. Also, in 1980, Jenkin had been elected the vice-president of the Institute's South Africa Division.

*Mrs Jenkin began her working life in 1945 with an electrical/mechanical engineering company and was trained in the mechanised accounting system then in operation. She was put into the costing department and later took charge of the entire accounting operation, her tutor being George Jones ACMA.*

*In 1960 she became group accountant/company secretary for a large international citrus company, where she remained until starting her own computer bureau in 1974.*

*Mrs Jenkin started studying for the ICMA qualification in 1968 and passed the final exam (it was then in five parts) in May 1973 having, she admits, had a record of four sittings for Part 4 (and even passing Part 5 in the meantime!).*

*She joined the Southern Transvaal Committee in 1974 as Treasurer, was elected Vice Chairman in 1977 and was Chairman for 1978 and 1979. She joined the South Africa Council in 1977 as Chairman of the Finance Committee.<sup>192</sup>*

## Milestone 80: 20,000th Institute member

Date: September 1981

In September 1981, membership of the Institute past the 20,000th mark. Its 20,000th member was Associate Michael Haddock, aged 29, who was working for the Hoveringham Group.

*Leaving school with four A-levels, Michael Haddock entered Hatfield Polytechnic, where in 1974 he gained a BA Honours degree in business studies. He then joined a firm of fencing contractors. Through a colleague, who was an ICMA member, he learnt for the first time about management accounting and saw that here was the profession he was looking for.*

*‘For me, the most challenging and therefore motivating aspect of management accounting is achieving the precise from the imprecise,’ says Michael. ‘This is also what I find so interesting in working for the construction industry. You start, so to speak, with a hole in the ground and you finish with a structure built to precise dimensions.’*

*Michael Haddock joined the group financial accounts department of the Hoveringham Group in 1977, where, by correspondence course, he studied for the Institute’s examinations. Exempt from the Foundation Stage and Professional Stage Part I, he passed his first set of papers in 18 months at the first attempt. At this stage he transferred to Topmix Ltd, a Hoveringham subsidiary, and after a pause of two years sat and passed the remaining papers, again at the first attempt. He completed the examinations in November 1980 and applied for membership in May this year.*

*‘Through taking these examinations I have gained the confidence in a professional ability to find the right solution to each problem as it arises. I might have gained this confidence after 20 years’ experience in industry, but by taking the institute’s exams I have gained it in four years. In my job, I am not looking for grand solutions to big problems, but I am concerned with solving the small problems that arise throughout each day and between them build up into the whole. Every day brings its interesting challenges — they are the essence and fascination of my work.’<sup>193</sup>*

## Milestone 81: Book-keepers will bite the dust!

Date: January 1982

This was the stark warning from Mr R Reynolds, FCMA. That the advent of the micro-computer and information systems had resulted in the elimination of the book-keeping role for the management accountant.

It was a time when the price of micro-computers had got to a point where it was now feasible for organisations to provide office employees access to individual computer terminals. Their affordability also saw micro-computers entering the home environment.

The capability of computer software changes too, with profound implications for the management accountants when programmable spreadsheets replaced electronic calculators. In 1983, the Lotus 1-2-3 spreadsheet package was released and closely followed by the Excel spreadsheet package for Mac in 1985 and for Windows in 1987.

However, as Reynolds highlighted, the elimination of function to technology brought other opportunities.

*Those management accountants who see their role only as book-keeper will have to concentrate on financial accounting, but those who wish to involve themselves in management decision-making will now have the opportunity to do so.<sup>194</sup>*

Reynolds concluded:

*The work of the engineer to reduce the cost of maintenance, in conjunction with the development of the microcomputer, has resulted in the elimination of the book-keeping role of the management accountant. All that the accountant has to contribute is to give permission for the maintenance computer to use the material and labour returns in the accountant's computer.*

*For this, the accountant will be free to involve himself in management services and the engineer to improve his control of his current workload and more effectively to plan the future.*

*With maintenance in some capital-intensive firms running at up to £20 million per year, it is probable that the maintenance engineers and accountants will, at last, be recognised for what they are — managers of large-scale engineering firms and not merely fitters and book-keepers.<sup>195</sup>*

Aware of the changing times, the Institute appointed the Information Technology Committee with the sole responsibility of dealing with Institute responses to developments in IT and the resultant impact on present and future membership. Its overall mission was:

*To ensure that the Institute and its members and students are able to acquire the knowledge and skills needed to enable them to make the best possible use of information technology in meeting the objectives of the organisation for which they work.<sup>196</sup>*

In 1984, the Institute published a book, 'Computing Terminology' to help management accountants with the new 'IT' and, in May 1986, the Institute held its first major Information Technology conference, 'The Informed Manager — A Strategy for the Future.'<sup>197</sup>

## Milestone 82: Shifting from tactical to strategic accounting

Date: 9th November 1983

The Institute President, David Allen, at a conference on, 'The Management Accountant's Role in the Survival of British Industry' highlighted the changing focus for the management accountant.

Management attention has shifted from the tactical level of control (how well we are doing what we choose to do) to the strategic level (the choice of what to do).

Management accountants have been able to respond to this change, thanks to computers and telecommunications having taken over the load of much of the operational and tactical controls (e.g. standard costing and budgetary control). In the process, however, they have found that traditional accounting concepts are just not appropriate to the needs of decision-makers:

- ▶ Accounts are, by definition, backward-looking whereas decision-making is essentially forward-looking;
- ▶ Accounts are inward-looking and focused on cost, whereas decision-making must be outward-looking and focused on value;
- ▶ Accounts are based on relatively short-term, discrete timespans, whereas decision-making is geared to the long-term continuum;
- ▶ Accounts are expressed in terms of profit and assets and preoccupied with capital maintenance, whereas the decision-making is concerned with cash flows, for which the criterion is the cost of capital;
  - Accounts support to measure performance, whereas decision-making is all about resource allocation.

The problem brought about by these contrasts is highlighted when one considers the implications of growth. Expansion almost invariably involves high front-end outlays — not just the investment in tangible assets but the 'cost' of research, development and marketing. As an indicator of long-term financial health, accounting profits are of little value and can be dangerously misleading.

Double-digit inflation in the 1970s drew attention to the weakness of the historical cost convention — how it produced 'unreal' figures. The debate seems endless and is certainly fruitless as far as decision-making is concerned. For resources are not allocated on the basis of whether or not a real profit (however defined) is expected to ensure but simply based on whether cash flows are sufficient to cover the cost of capital.

Most businessmen are familiar with the application of this concept in the form of discounted cash flow evaluations but:

- ▶ They tend to be restricted to what the accountant calls 'capital expenditure' and therefore miss the 'revenue' investment like advertising;
- ▶ Subsequent monitoring is on the basis of reported profits and therefore suffers from all the weaknesses identified earlier;
- ▶ They are focused on identifiable 'projects' rather than continuing activities.

On this analysis, the need is quite clearly for an approach which measures, for a business and its constituent activities, long-term financial health at a point in time and progress therein over time.

The solution, which has been devised, tested and proven in a practical environment, is to track progress by reference to the net present value of projected cash flows is discounted at the cost of capital. This is applied to a business as a whole and through an appropriate hierarchy, to constituent products and markets. At a point in time, it provides a value to compare with any alternative strategies which might be proposed for these constituents, in a way which avoids the accountant's nightmare of apportioning shared costs.

Perhaps more importantly, a variance analysis between actual and projected cash flows and between NPVs as seen at different points in time, provides a powerful tool for monitoring the relationship of the business with the outside world and prompting relevant strategic reviews. Indeed, it is not going too far to suggest that this approach will supply the strategic level of management with the sort of comprehensive framework which budgetary control supplies to the tactical level.

All in all, it provides the management accountant with a mechanism for strategic financial management.<sup>198</sup>

## Milestone 83: The 1,000th female member of the Institute – Christina Jenkins

Date: August 1986

The Institute celebrated the advent of the 1,000th female member when Mrs Christina Jenkins was admitted as an Associate. She was, in 1986, aged 28, married and a production Accountant at Marconi Communication Systems in Chelmsford.

*Christina left school at 17 with six O-levels and obtained a job as a clerical officer with the DHSS. During her three years there she continues to study, obtaining two more O-levels, two A-levels and an ONC in business studies. At the age of 20, she left to join a one-year government-sponsored TOPS course to re-train for accountancy.*

*At the end of her course, she applied to Marconi for an ICMA accounts apprenticeship. 'I shall always be grateful to Marconi,' she says. 'They made it possible. With their support, I studied in Chelmsford and at Southampton for the ICMA exams.' Three years later, in 1982, she passed the final exam and was given her first post at Marconi as an accountant for one of the company's product divisions. Now, in 1986, having gained the relevant practical experience in her work, she applied for ICMA membership, little realising that her admission would bring to 1,000 the current number of women members.<sup>199</sup>*

Peter Lawrence, President of the Institute, on marking the occasion said, 'you might be interested to know that our first woman member was admitted to membership in 1921 and perhaps you might think we ought not to be too proud of the fact it has taken 65 years to reach our one-thousandth!'<sup>200</sup>

At the end of 1979, as a proportion of the overall total of Institute members, female membership accounted for 1.6 per cent.<sup>201</sup> This had risen to 4.1 per cent by 1987 and at the end of 2017, female membership accounted for 35 per cent.<sup>202</sup>

## Milestone 84: 1987 Institute syllabus

Date: June 1987 — first examination under the new syllabus

What makes the 1987 Institute syllabus stand out as a milestone is the consultation process built into its creation. The draft syllabus for each subject had been produced by committee members after consultation with specialists, including the chief examiner, and a widespread consultation with standing committee members, employers, members, students and their lecturers.

Included in the May 1984 edition of the Institute Journal was a survey to fill out and return on a 'major syllabus review'.<sup>203</sup> There were two questionnaires on the ICMA syllabus: one for academic institutions and lecturers involved in the education of ICMA students, and the other for employers and members generally.

Once the survey results had been collated, an exposure draft of the proposed new syllabus was published in *Management Accounting* by the Education and Training Committee for public comment.<sup>204</sup>

The stated aims of the syllabus were:

- (a) To provide the Institute with an adequate basis for assuring society that those admitted to membership are competent to act as management accountants for entities, whether in manufacturing, commercial or service organisations or in the public sector of the economy
- (b) To enable the Institute to examine whether prospective members have an adequate knowledge, understanding and mastery of the stated body of knowledge and skills.<sup>205</sup>

## Proposed new examinations structure

<b>Stage 1</b>	<ol style="list-style-type: none"><li>(1) Accounting (financial and cost).</li><li>(2) Economics.</li><li>(3) Business law.</li><li>(4) Quantitative methods.</li></ol>
<b>Stage 2</b>	<ol style="list-style-type: none"><li>(1) Cost accounting.</li><li>(2) Financial accounting.</li><li>(3) Information technology management.</li><li>(4) Management.</li></ol>
<b>Stage 3</b>	<ol style="list-style-type: none"><li>(1) Management accounting techniques (including costing).</li><li>(2) Advanced financial accounting.</li><li>(3) Company law.</li><li>(4) Business taxation.</li></ol>
<b>Stage 4</b>	<ol style="list-style-type: none"><li>(1) Management accounting - decision-making.</li><li>(2) Management accounting - control and audit.</li><li>(3) Management accounting - corporate strategy (including marketing).</li><li>(4) Management accounting - financial management.<sup>206</sup></li></ol>

One letter to the editor of *Management Accounting* in October 1995 on the proposed structure lamented, 'The new examinations syllabus marks the final abandonment of the production engineering related accounting concepts on which the Institute was founded.'<sup>207</sup>

## Milestone 85: Management accounting: Relevance lost or pathways to progress

Date: July 1987 and September 1989

The publication of *Relevance Lost, The Rise and Fall of Management Accounting*, in 1987, was felt by some as a personal attack.<sup>200</sup> In the book, Professors Kaplan and Johnson examined the historical development of management accounting from the early 19th century to the 1930s. They concluded that by the 1930s, 'all the techniques which comprise modern management accounting had been developed and documented.'<sup>209</sup>

According to a book review in *Management Accounting*:

*The primary theme of the book is that since the 1930s the requirements of management accounting and the needs of managers have diverged so significantly that much of the information provided by management accountants is irrelevant (at best) and can cause managers to make decisions that are positively harmful to their companies.*<sup>210</sup>

Commenting on the shortcomings of the book, the review noted:

*What is disappointing is the lack of a concrete approach to solving the inadequacy of modern management accounting.*

*The book lucidly opens up the genesis of modern management accounting with four chapters containing an analysis of the work of the pioneering management accountants. The authors then spend four chapters delineating the inherent shortcomings of the management accounting techniques that are employed in most modern companies. The book closes with just two short chapters, which begin to provide answers to these problems. The book would be of much more practical use to management accountants struggling with these issues if it provided more in the way of solutions.*<sup>211</sup>

The attack on management accounting practices, judged to be irrelevant, misleading and wrong was heard by the Institute. Its response to the accusations was a major research report, published in September 1989. The defenders of the management accounting faith were Professor Michael Bromwich and Alnoor Bhimani, of the London School Economics. They authored the report, *Management Accounting: Evolution not Revolution*, which had been sponsored by the Institute to identify:

*The criticisms being made, the way in which management accounting techniques already exist to meet them, and the findings of research in this field and any gaps that might initiate further research.*<sup>212</sup>

The report concluded:

*The evidence and arguments advanced by advocates of wholesale changes in management accounting are not yet sufficient to justify the wholesale revision of management accounting.*<sup>213</sup>

There was no general crisis within the management accounting profession and no radical reforms needed. In 1994, the report was updated and published as a book called, *Management Accounting: Pathways to Progress*.<sup>214</sup> What these reports did was give direction and focus for the Institute in challenging times.

The concluding remarks of Pathways to Progress, remain relevant today.

*Within such a context of dynamic change, management accounting cannot afford to be inward orientated. Its continued development must rest on its rich history side by side with an appreciation of pressures, constraints and opportunities that enable it to maintain a proactive edge.*<sup>215</sup>

## Milestone 86: Management accounting for a cleaner world

Date: September 1990

In 1990, the Institute established an Environment Accounting Working Party. This working group recognised the importance of environmental issues and concerns and the possible impact on accounting practice. Its terms of reference were to develop practical guidance for members on how to address the management accounting implications of new legislation and requirements that the UK government was considering in 1990 in regard to environmental strategy.

An article on the remit of the Environment Accounting Working Party asked:

*'If CIMA is to help meet the practical needs of its members, then members themselves must start telling us about their involvement in their own organisations' environmental strategy, about the extent to which, for example, existing proposals are practical, and used, in practice. We are also particularly keen to discover the problems members have had confronting environmental issues and the solutions they have identified. How, for example, are costing systems being developed to take account of environmental issues, if at all, and what tensions or problems are CIMA members finding in their organisations arising from environmental concerns?'<sup>216</sup>*

Included with the article was an environment survey to help in the sharing of members experiences and to guide the profession's future response to environment issues. The article concluded:

*The future of the environment represents one of the most difficult challenges the profession has faced. It will need the full resources of the profession if accounting and information systems necessary to provide a full and adequate response are to be developed.<sup>217</sup>*

Since 2008, the Institute has been working with The Prince of Wales' Charity – Accounting For Sustainability (A4S) and is an active member of their Accounting Bodies Network. It has three core aims:

- ▶ Inspire finance leaders to adopt sustainable and resilient business models.
- ▶ Transform financial decision-making to enable an integrated approach, reflective of the opportunities and risks posed by environmental and social issues.
- ▶ Scale up action across the global finance and accounting community.<sup>218</sup>

## Milestone 87: W(h)ither management accounting?

Date: March 1991

The conclusions of a four-year investigation into 'Information Technology and the Working Environment of the Management Accountant' were published in March 1991. Empirical data had been collected between January 1986 and September 1989 and a full research report was presented to the Research and Technical Committee in March 1990.

The research was concerned with understanding:

- ▶ How have IT developments affected the risks of the management accountant?
- ▶ What is the evolving role and orientation of management accounting, and how it is changing?
- ▶ What is the perception of managers (end users) of the service that they receive from management accountants, and has IT influenced this?<sup>219</sup>

The evidence suggested that IT developments were making significant improvement in routine scorekeeping and the reporting activities of the management accountant. These improvements were displayed in the comprehensiveness, accuracy and timeliness of reporting. IT was reducing the management accountant's time spent on operating the scorekeeping system and facilitating the greater access to and wider dissemination of information.

The research then speculated on how the management accountant's role was changing:

*During the period of the research, there was a significant change in the orientation of management accountants, with a reduction in the primary scorekeeping activity associated with historian [recording and analysing past events] and watchdog [overseeing on behalf of someone else], and a movement towards the role which combined decision support and scorekeeping, such as advisor [offering advice] and team member [helping to make joint decisions]. When compared to the management accountants' perception of the situation five years prior to the study, there is clear evidence of a strong movement away from purely historian orientated position of the 1980s.<sup>220</sup>*

The research findings concluded that the implications for management accountant and the profession were:

*The accountancy profession needs to ensure that its members are meeting the financial information needs, if not the management information needs, of management. These information needs are changing in the contemporary management scene. The research findings suggest a need for management accountants to take a more proactive visionary and service-orientated approach to satisfying management information needs.*

*And it is recommended that CIMA emphasises the managerial and strategic aspects of its profession as well as the technical aspects. It should also ensure that its members have a proactive and service-orientated and consequently use IT to enhance the services that they provide. Furthermore, there is a need to be anticipating and shaping those information needs.*

*The management-accounting profession faces several opportunities and threats. The danger is that the profession does not see this potential threat or adopts an ostrich stance. Instead, the profession needs to exercise its skills to identify them, and turn them into opportunities, as well as being selective in its choice of opportunities so that it can exploit the opportunities and use of IT developments to this end.<sup>221</sup>*

## Milestone 88: ABC: A survey of CIMA members

Date: October 1991

Activity Based Costing (ABC) was the approach of choice for management accountants by 1991 with the *Institute Journal* full of articles and case studies on the subject. A survey of CIMA members found that, 'ABC is a procedure of widespread interest to practising management accountants. Almost half of the respondents' organisations had already considered its implementation.'<sup>222</sup>

In the 2005, CIMA Official Terminology, Activity Based Costing is defined as:

*An approach to the costing and monitoring of activities, which involves tracing resource consumption and costing final outputs. Resources are assigned to activities, and activities to cost objects based on consumption estimates. The latter utilise cost drivers to attach activity costs to outputs.*<sup>223</sup>

The article on the ABC survey concluded that over half of organisations were considering the implementation of this relatively new phenomenon.

*To date, most of these respondents are still involved in the assessment process. However, in 28 cases (31% of those who had considered ABC) decisions have been made on the use of ABC, with a clear majority (17) rejecting it. Thus only 11 organisations (four of these from the financial services sector) had finally decided to adopt and implement ABC.*

*Although the initial rejection rate appears surprisingly high, it must be noted that 15 of the 17 organisations rejecting ABC did so without any first-hand practical experience of it.*

*There also seems to be considerable uncertainty and some confusion about ABC. This is manifest in the duration of the assessment time being taken by firms, and their reservations about it, which frequently centres around its perceived complexity and in the apparent disagreement over its utility by similar firms in the same sector (such as financial services sector between firms').*

*ABC is clearly at an early stage in its development in the UK. Practical experience in it is still the exception and although short-run feedback from those using it is predominantly favourable, a long-run assessment will have to wait for a few years.*<sup>224</sup>

Milestone 89: <http://www.cima.org.uk>

Date: January 1998

The World Wide Web was invented by English scientist Tim Berners-Lee in 1989, at CERN in Switzerland. They were the first research institution to make its browser available to the general public in 1991.

In 1995, the Institute decided that there was sufficient awareness of the World Wide Web to warrant a 'trial run' site to determine whether members and students would use online communication and information resources.

After the trial run the Institute launched its first interactive website, <http://www.cima.org.uk> in January 1998.

*The final result is impressive; a site that is innovative, interesting and clearly meets all the objectives identified at the development stage. The CIMA site incorporates searchable directories and catalogues, 'self-service' record management, discussion boards and forums, and 'pushed' content at users' request.<sup>225</sup>*

Mark Haywood, member of the CIMA Internet Co-ordination Team concluded:

*This website is very advanced in its design and will make information extremely easy for users to access. The key to its continued success is for it to be regularly updated with current information and for feedback from users to be utilised in the development of the website over time. We are confident that this will occur, because content can be distributed around the Institute under password protection and posted on the website within minutes. The CIMA dedicated team will monitor the website on a continual basis and maintain quality assurance throughout the site.<sup>226</sup>*

## Milestone 90: The Institute's 50,000th member

Date: May 1999

Ms Kerry Ward (26), Resource Planning Manager at the Inland Revenue entered into the history books as the 50,000th member of the Institute in May 1999.

After receiving a commemorative briefcase and certificate, Kerry Ward said:

*I am proud to be part of such an historic day for CIMA and, on a personal level, I am proud to have achieved membership of an institute that I believe offers me an opportunity of a very fulfilling and varied career.*

*As I have been studying for various exams every year since the age of 11, I feel ready to relax today and enjoy the fruits of my labour.<sup>227</sup>*

Ms Ward was welcomed by Institute President, Peter Layhe, at a reception.

*In many ways, Kerry epitomises the success of CIMA. As a young woman working in a public sector organisation, which as a CIMA training partner, Kerry's position reflects the growth and diversity of the Institute's membership. She is following in the footsteps of a growing number of young people who value the CIMA qualification as a qualification eminently portable across business and national boundaries.<sup>228</sup>*

## Milestone 91: The Institute's first female President – Claire Ighodaro

Date: 14th June 2003

At the Institute's Annual General Meeting on 14th June 2003, Claire Ighodaro, then finance director, broadband at BT, became its President. For the Institute, the appointment of Claire Ighodaro represented a first on two counts. She was both the Institute's first female President and its first black President.

*Ighodaro joined British Telecommunications in 1984 as management and development accountant for the southern London district. Between 1988 and 1993 she led the development and implementation of one of the UK's first hand-held computer job reporting systems for field engineers. She rose rapidly through BT management levels and, in August 2000, she became vice-president, finance, at BT Openworld. She was then [July 2003] responsible for strategy, and business plan formation, investment planning, commercial direction and control, target-setting, benchmarking and reporting for BT's broadband business.<sup>229</sup>*

Claire had been a member of Council since 1995 and a member of the international committee since 1994 (she became chairman in 2000). She had also sat on numerous Institute committees, including the Membership Committee, Executive Committee and the Appointments Committee.

Reflecting on her career, in 2003, she attributed her success to the flexibility of the CIMA qualification, but also her own determination.

*When I started off, I was told that I couldn't be a manager, because they didn't have black female managers in that company. It's nice to look back and see that things have changed and that there are opportunities for everyone. A lot of it is down to how you approach matters. Things are difficult because you think they will be. If you want to do it, just get on with it.<sup>230</sup>*

Married with three children, Claire was awarded a CBE (Commander of the Most Excellent Order of the British Empire) in 2008 for services to business.

It would take another 12 years before the second Institute female President was appointed. Myriam Madden was elected President in June 2015.

Her background is in finance and business with extensive experience in governance, business strategy, mergers, acquisitions and operational transformation. Myriam has led organisation change programmes and finance functions at HBOS, Hewlett Packard, Agilent, Scottish Arts Council, NHS and Historic Scotland. She is a graduate of University College Cork with an honours degree in commerce and business.

## Milestone 92: The CIMA Strategic Scorecard

Date: March 2005

After the corporate scandals of the early 2000s (Enron and WorldCom), there was considerable pressure worldwide to improve standards of corporate governance. Institute research had shown that a challenge for boards was to maintain effective oversight of the company's strategic position and progress. The CIMA Strategic Scorecard was developed in 2004 and published in 2005.

Its introduction demonstrated that the 'strategist role' had become another string in the bow of a management accountant. They had moved from being purely inward looking, concerned with monitoring the performance of the business, to an outward focus, concerned with competitive market forces.<sup>231</sup>

The scorecard helped to engage boards effectively by:

- ▶ Providing board assurance on the organisation's strategic progress
- ▶ Giving the board focus on its strategic involvement and the kind of challenging questions they should be asking
- ▶ To identify emerging strategic issues impacting progress and where decisions need to be made.<sup>232</sup>

The uniqueness of the framework is still valuable today, as the scorecard:

- ▶ Summarise the key aspects of the environment in which an organisation is operating to ensure that the board is aware of changing competitor, economic and other factors.
- ▶ Highlight the risks and opportunity facing the board in its strategic endeavours and move these into manageable plans.
- ▶ Identify the major strategic options that could have a material impact on the strategic direction of the organisation and helps the board to determine which options will be developed and implemented.
- ▶ Chart for the board the significant steps or milestones in relation to the chosen strategic plans to be achieved in the coming period and then tracks performance against these.<sup>233</sup>

## Milestone 93: The Institute introduces mandatory Continuing Professional Development (CPD)

Date: 1st January 2006

At the Institute's Annual General Meeting on 9th June 2005, a membership vote approved the bye-law and regulation changes needed to introduce mandatory Continuing Professional Development (CPD).

Mandatory Continuing Professional Development became a requirement of all members from 1st January 2006. This changed the Institute/member relationship, from one of an upfront learning experience to a lifelong learning experience. It also strengthened public confidence in the accountancy profession.

Continuing Professional Development had been an increasing prominent focus of the Institute since the early 1960s. Under the title of Post Qualifying Education (PQE), the institute offered courses, conferences and workshops in essential subjects. In October 1974, the *Institute Journal's* editorial asked the question, 'SHOULD POST-qualifying education be mandatory in terms of "required professional development"?'<sup>234</sup> Therefore, the idea of mandatory post-qualifying education was not a shock to most members by the time it was enshrined in Institute Bye-laws.

In October 1990, the Institute's Professional Development Committee issued 'Management and Professional Development Guidelines,' which was a milestone on the road to mandatory CPD.<sup>235</sup>

The member commitment to learning throughout their career reinforces lifelong employability and that they:

- ▶ Remain up to date and relevant
- ▶ Develop their knowledge and skills; and
- ▶ Play their part in maintaining the integrity and credibility of the qualification and the profession.

The Institute's Director of Professional Standards, Peter Douglas said, 'Mandatory CPD is vital to maintaining the reputation of the profession and that of management accountants.'<sup>236</sup>

## Milestone 94: The Chartered Global Management Accountant designation

Date: 23rd May 2011

The Institute, together with the American Institute of Certified Public Accountants, announced the creation of a new professional designation, The Chartered Global Management Accountant® (CGMA®). Its creation represented a worldwide standard of professional excellence in management accounting. The new CGMA designation was back by a CIMA-AICPA joint venture with international resources and experience in management accounting, business and cultural knowledge.

Today, the CGMA designation distinguishes professionals who have advanced proficiency in finance, operations, strategy and management. It is underpinned by extensive global research to maintain the highest relevance with employers and develop competencies most in demand.

CGMA designation holders qualify through rigorous education, exam and experience requirements. They must commit to lifelong education and adhere to a stringent code of ethical conduct.

More than 150,000 accounting and finance professionals hold the CGMA, making it the most widely held management accounting designation in the world.<sup>237</sup>

## Milestone 95: The CGMA Competency Framework

Date: 30th April 2014

Back in February 1919, one of the objects of the Institute was ‘to secure for them [cost accountants and others] a definite professional status by means of a system of examinations and the issue of certificates of competency.’<sup>238</sup>

This has not changed in 100 years. The Institute has been providing finance professionals with enhanced competencies to better address the challenges and opportunities of a complex business.

In 2014, the Institute and American Institute of CPAs together launched *The CGMA Competency Framework*. A framework identified 45 competency areas where employers could expect proficiency of an Institute member.

The framework is comprised of four knowledge areas — technical, business, people and leadership — with competencies defined at four levels: foundational, intermediate, advanced and expert. It was created to assist Institute members in identifying the broad skills employers expect from their finance professionals. The framework helps management accountants assess their current competency level and provides insight on steps they can take to expand their skills while meeting their commitment to lifelong learning.

The Institute’s Chief Executive, Charles Tilley, at the framework launch said:

*With the role of finance constantly developing, it can be hard for employers to know the standard to expect of their management accountants. The CGMA Competency Framework is research-led and informed by those on the front line of business and it will show employers the new knowledge requirements and skills needed for both current and future management accountancy roles. In addition, it will help accountants to become more employable by guiding them through their professional development, as well as helping educators to better prepare students to become well-grounded management accountants.*<sup>239</sup>

## Milestone 96: The Global Management Accounting Principles

Date: 22nd October 2014

Just as the Institute's Costing Terminology did in 1937, *The Global Management Accounting Principles* in 2014, defines the Institute's space and body of knowledge to a new generation in the 21st century.

The Global Management Accounting Principles were designed by the Institute and American Institute of CPAs, to improve decision-making to organisations through the provision of high-quality management information. They further support organisations in benchmarking against best practice.

The principles were developed with input from CEOs, CFOs, academics, regulators and other professionals in 20 countries, on five continents during a public consultation.

There are four principles:

- ▶ Communication provides insight that is influential (influence)
- ▶ Information is relevant (relevance)
- ▶ Stewardship builds trust (trust)
- ▶ Impact on value is analysed (analyse)

Each of the principles is applied across 14 different practice areas, ranging from investment appraisal to treasury and cash management.

At the launch of the principles, the Institute's Chief Executive, Charles Tilley revealed:

*Too often, impulse substitutes for insight and we need a dramatic improvement in the way decisions are made at all levels. These principles will help CEOs and their teams achieve higher-quality decision-making across their organisations.<sup>240</sup>*

*The principles also define management accounting for the 21st century: 'Management accounting is the sourcing, analysis, communication and use of decision-relevant financial and non-financial information to generate and preserve value for organisations.'<sup>241</sup>*

## Milestone 97: Institute examinations move to computer and on demand

Date: 1st January 2015

Since December 1920, the Institute had run, paper-based, examination sittings twice a year. Only once was an examination session moved. That was after the outbreak of the Second World War, when the December 1939 examination sitting was postponed and rescheduled for January 1940.

This tradition all changed on 1st January 2015, when the Institute moved to fully computer-based assessments. After 95 years, students were able to take online assessment and exams on demand through a partnership with Pearson VUE. It meant that registered students could take the CIMA professional qualification examinations at their own pace of progression. The change also gave students the choice to sit for their assessments at over 5,500 exam centres worldwide.

Bob Whelan, President and CEO, Pearson VUE, commented: 'The length of the contract CIMA has signed with us underlines the confidence the CIMA team has in Pearson VUE to take their programmes forward and improve the experience and outcomes for accountancy candidates.'<sup>242</sup>

'One of the advantages of computer-based testing is the ability to create new and different question types to test the learning outcomes. The learning outcomes themselves and sound test design are at the heart of this project.'<sup>243</sup>

Malcolm Furber, Institute President, commented on the change, 'We are delivering a world-class combination of computerised assessments, including integrated case studies, and are the first global accountancy body to pioneer this.'<sup>244</sup>

## Milestone 98: The Institute's 100,000th member

Date: September 2015

In September 2015, the Institute welcomed Samalka Athuraliya, Assistant Manager in Equity Research at Acuity Stockbrokers, Sri Lanka, as its 100,000th member.

Samalka began studying the CIMA professional qualification after completing her A-level examinations in 2009. She completed her studies in 2011 and after subsequent work experience, achieved the ACMA and CGMA designations in 2015.

At the time of her admission to membership, Samalka was working for Acuity Stockbrokers, performing sell-side equity research and analysis. Prior to this, she spent three years working in equity research for Copal Amba. She also has audit experience, having worked for B.R De Silva & Company in this capacity between 2011 and 2012.

Samalka Athuraliya said:

*'I'm so pleased that I'm now a CIMA member and a CGMA. The syllabus was challenging but very rewarding and with hard work, I was able to complete my studies within two years. It was through studying CIMA that I was able to discover what I wanted to do for a career and the qualification has given me the skills and knowledge that I need as a financial analyst. I would recommend CIMA as a really good opportunity for anyone looking to develop their career in business.'*<sup>245</sup>

## Milestone 99: The Association of International Certified Professional Accountants

Date: 1st January 2017

Formed by members of The Chartered Institute of Management Accountants (CIMA) and the American Institute of CPAs (AICPA), the Association brought together the broad diversity and full force of the accounting profession worldwide — encompassing more than 667,000 members and students across 184 countries and territories — to power a shared purpose.

In June 2016, AICPA and CIMA members overwhelmingly approved the creation of a new global organisation to advance the entire accounting profession. 1st January 2017 saw the official launch of the Association of International Certified Professional Accountants.

The mission of the Association is to drive a dynamic accounting profession worldwide. It champions the relevance of the profession by positioning accountants as frontline partners in tomorrow's success. The Association has developed a strong pipeline of future talent with programmes designed to engage students and young professionals and offer qualifications that meet the highest bar of competency, quality and integrity. It helps current professionals adapt to the constantly changing needs of clients and businesses by providing the latest news, insight and learning. And it advocates on key issues to protect the public interest and advance our members and profession.

### Mission

We drive a dynamic accounting profession that works every day to build trust, create opportunity and grow prosperity worldwide.

The Institute's  
Centenary:

**1919 to 2019**

The 100th milestone is also a post-marker into the future. In an increasingly digital world, rapid changes in technology are creating challenges for the business models of organisations. It is also making it difficult for business leaders and employees to create and preserve sustainable value. Against this digital backdrop, it is imperative that finance professionals possess relevant technical skills, a sound understanding of their organisation, as well as the ability to influence and lead people. This will make them capable of providing the insight their organisations need to craft and successfully execute their strategies in the 21st century.

### Milestone 100: The 2019 CIMA Professional Qualification and CGMA Competency Framework

Date: 31st January 2019

The launch of the 2019 CIMA professional qualification syllabus continues to bridge the skills gap of newly qualified finance professionals worldwide, meeting the employability needs of both business and people. In designing the syllabus, we set out to enhance the relevance of the syllabus to employers; ensure the rigour of the related examinations and align the learning experience of candidates to the real world. The changes in the syllabus are based on our three-stage research approach of employer interviews, roundtables and a global survey to a range of stakeholders. We contacted over 6,500 finance professionals from over 2,000 organisations in over 150 countries. We have used the same research methodology as the previous syllabus update but on a larger scale and with wider participation. This research has allowed us to capture the latest views of finance professionals so that we can incorporate these into the syllabus.<sup>246</sup>

## The 2019 CIMA professional qualification syllabus

CIMA's objective in designing the syllabus is to enhance the employability of students and members. It intends to create a learning system that enables learners to acquire skills, competencies and mindsets that are in high demand by employers. This has never been more important, with the pace of change increasing and traditional roles being redefined by technology and digital advances.<sup>247</sup>

Noel Tagoe, Executive Vice President— MA Research and Curricula, on the launch of the syllabus said:

*Importantly, the updated syllabus includes how the digital world affects finance; this can be seen through the introduction of digital costing and digital strategy. Topics such as cybersecurity and business models have also been incorporated. Existing areas, such as integrated reporting, have been expanded to reflect their growing prominence. Ultimately, these topics support CIMA's desire to produce competent and confident management accounting professionals who can guide and lead their organisations to sustainable success.*<sup>248</sup>

## The 2019 CGMA Competency Framework

The CGMA Competency Framework was first introduced with the 2015 syllabus. It set out the skills and competencies that employers identified as essential for their finance staff across a range of industries, organisation sizes and role levels within an organisation. To update both the syllabus and competency framework, we once again undertook global research to better understand what is changing for both the finance function within the organisation and the finance professional, against the backdrop of an ever-increasing digital world.

The competency framework reflects our findings on how finance professionals are expected to apply accounting and finance skills within the context of the organisations in which they operate. It also reflects for the first time how technology and a digital mindset will be required to affect and influence their own decisions, actions and behaviours and those of their colleagues within the wider organisation. To be able to do this, five sets of skills have been identified — technical accounting and finance skills; business skills; people skills; leadership skills; and digital skills — and a digital mindset underpinning the categories.<sup>249</sup>

Reflecting on the 2019 launch, Andrew Harding, Chief Executive — Management Accounting, said:

*Technology is bringing us change at an unprecedented speed and scale. Organisations must constantly enhance their capabilities to seize new opportunities and remain viable.*

*For finance professionals, it is no different. The changing environment represents a huge opportunity for them to go beyond their core technical comfort zone and embrace emerging technologies as a way to deliver value across their organisations. However, to rise to the challenge, they will need to hone new skills and competencies to stay employable and competent for a digital world.*

*Building on our 100 years heritage of leading the management accounting profession, we are today launching an enhanced CIMA Professional Qualification, CGMA Competency Framework and Digital Mindset continuing education course to give finance professionals, members and students the tools and resources they need to thrive in this digital age. We will — as we always have done — help finance professionals reach their full potential.<sup>250</sup>*

# Final thoughts

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Hopefully, the journey through the Institute's history in 100 milestones has demonstrated the pioneering spirit of the Institute's many members, students and supporters without whom, the Institute would be nothing. Their shining examples have kept cost and management accounting relevant, and central, to successful businesses around the world over the last century.

In the next 100 years, if the Institute is to remain relevant and have a global role, current and new generations of pioneering members and students will need to inspire and demonstrate the value management accountancy brings to organisations around the world.

Back in January 1972, the Institute President, James Muir Symington Risk, suggested a way of building the Institute's profile,

*If each member would persuade one suitable young man or woman to embark on a career as a management accountant, he or she would not only do a favour to the person concerned but would vitally assist the Institute to achieve the goal of the 20,000 members. We should aim at nothing less and in the next ten years.<sup>251</sup>*

At the last annual review, the Institute consisted of 109,415 members, and 127,241 registered students.<sup>252</sup> That is a total population of 236,656 individuals, with the potential to change the world for the better. When we look back to 1919, just seven individuals with a shared vision built an Institute. This Institute! The future of the Institute is in our hands, all 236,656 of us.



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Martin Farrar's research specialises in the Future of Finance, sustainability, strategy, and the history of management accounting. Before to joining the Association's research and development team, Martin worked closely with CIMA's senior management team and council as a strategic planner to define, implement and report on corporate strategies and build future capability. His research has been published in several white papers and has contributed to the ongoing development of the CIMA professional qualification syllabus.

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1906-59430

ISBN: 978-1-85971-873-5