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FOOTPRINTS IN THE SAND: EXPLORING THE EVOLUTION OF MANAGEMENT ACCOUNTING PRACTICES IN IRELAND

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ABSTRACT

Apart from the seminal work by Robinson (1964) on the formation and development of the Irish Chartered Accountancy profession, very little has been published in the area of Irish accounting history. This paper is offered as a contribution to the literature in this field, and focuses on those factors responsible for influencing the development of management accounting practices in Ireland. Three related elements of management accounting history are explored, namely: evidence of management accounting practice within companies; accounting education and thought; and, finally, the accountancy profession and its role in the development of management accounting in Ireland. The paper provides preliminary evidence that from political independence in 1922 until the late 1950s, management accounting practices developed minimally in Ireland. Thereafter, largely due to the political and related economic transformation of the country, the discipline of management accounting increased in importance and influence. Not surprisingly, one of the conclusions of this paper is that much research remains to be done in this vast field.

INTRODUCTION

This paper is concerned with describing the development of management accounting practices in Ireland[1], although it should be noted that the term "management accounting" was only popularised in the 1960s. The paper is pioneering in nature, since no previous historical work has been published in this specific area about Ireland, unlike other European countries (Bhimani, 1996). The research task is further complicated because, by definition, cost and management accounting practices are *internal* to organisations and hence private artefacts. The development of management accounting practices in Ireland must therefore be gleaned from "footprints left in the sands of time" and extensive archival evidence is required before firm conclusions about the process of implementation and use of management accounting systems can be reached.

One definition of accounting history is that proposed by the American Accounting Association (AAA) as being 'a study of the evolution in accounting thought, practices and institutions in response to changes in the environment and social needs' (AAA, 1970, p. 55). These three elements of accounting history will be explored in subsequent sections of this paper, using a combination of primary and secondary sources. These sections focus on the period prior to the 1960s and provide evidence regarding management accounting practices in Ireland, accounting thought and education, and the management accountancy profession. The picture that emerges around the late 1950s is of an Irish industry that consisted overwhelmingly of small firms enjoying a captive domestic market and rarely having to cope with the threat of competition. These sections are followed by an outline of developments during the mid-1950s which transformed the Irish political and economic landscape and which placed increased emphasis on business education and the need for management accounting systems. A short discussion and conclusion complete the paper.

SOME EVIDENCE OF MANAGEMENT ACCOUNTING PRACTICE IN THE EARLY YEARS

Independent Ireland began on 6 December 1921 when, under an Anglo-Irish Treaty concluded between the British Government and representatives from Sinn Féin, the foundations were laid for the creation of the Irish Free State. Ireland, as Cox (2002) notes, was the first post-colonial nation of the twentieth century, and so had no models to follow. Also, it should be remembered that the Irish Free State was born out of a War of Independence and subsequent civil war. As McDowell and Manning argue:

> The executive council of the new state was composed of young men, none of whom had any experience of parliament or government and who were now faced with the daunting task of overseeing the transfer of power from one administration to another, of establishing new administrative and legal structures, organising a police force, asserting and maintaining control over the army, finding the personnel to staff key posts and restoring the country to conditions of peace and normality. The priorities of the new government were those of stark necessity, not those of choice. If it was to survive, it had to assert its own authority at home and arrest the lawlessness and near-chaos of the previous years, while at the same time building up the structures and trappings of independent statehood. (1984, p. 17)

The economy of the newly created Irish Free State was overwhelmingly dependent on agriculture, with an industrial structure based mainly on processing the output of agriculture - food, drink and footwear. Unlike Northern Ireland, there was no ship building tradition and unlike Britain, the Irish Free State had no iron, steel or coal industry. During the 1920s, the industrial labour force of the Irish Free State was marginally over 100,000, or about seven per cent of those gainfully employed (O'Malley, 1980). The central element of Free State policy was the promotion of agricultural exports, anticipating that the resulting profits would in time stimulate more general economic growth (Breen, Hannan, Rottman and Whelan, 1990). Convinced that industrialisation could not be forced, the Government took few initiatives to foster immediate industrial development.

One possibility, however, was the imposition of import tariffs to protect the existing Irish manufacturing industry, and this was investigated by the Fiscal Inquiry Committee (1923), which took evidence from various Irish bodies and individuals. The Committee rejected protectionism on the grounds that it would raise the cost of living for workers, increase wages, push up prices, and thereby diminish Irish exports. In reaching this conclusion, and in relation to management accounting systems, the Committee reported that it

> did not, except in a few instances, see proof of the existence of a scientific system of costing. Many of the witnesses did not know precisely the actual prime cost of the articles produced in their factories nor could they state what proportion of their total costs was to be attributed to those items which they termed "overhead charges". In the case of some large industries the Committee was not furnished with profit and loss accounts which would have enabled it to form an independent opinion on this important point. (1923, p. 50)

Even allowing for the possible reluctance of firms to provide sensitive financial information, the above evidence points to the primitive nature of management accounting systems within many Irish manufacturing companies. Additional evidence of the lack of management accounting systems within Irish companies around that time is provided by the then Professor of Commerce at University College Dublin (UCD). In an address to the Dublin Society of the Institute of Chartered Accountants in Ireland in 1929, Professor Shields pointed out that recent developments in costing systems 'should be subject to a critical and detailed examination by Irish business managers' and he recommended that Irish industrialists 'could well follow the lead of the Master Printers' Association of Great Britain, which has set up standard costing for this complex industry and has a special costing bureau to aid any particular firm within the Association' (The Accountant, 1929, pp. 742–3). As discussed by Walker and Mitchell (1998), the British Federation of Master Printers launched, in 1913, the first and most enduring uniform costing system formulated in the UK with the publication of *The Printers' Cost-Finding System* at the First British Cost Congress. This uniform costing system was designed to gather full unit-cost information segmented into direct material, direct labour and overhead (production and non-production). In addition to providing valuable financial information to management, it was also seen as a potential remedy for excessive competition in the printing industry which depressed prices and profits.

In Ireland, the election of the Fianna Fáil party to government in 1932 saw a reversal of economic policy that had a profound impact on Irish industrial development for the next few decades. The new administration favoured tariff protection both as an expression of political independence and to promote economic self-sufficiency (MacSharry and White, 2000). It should be noted that the introduction of some degree of protectionism was inevitable because it was in widespread use elsewhere during the 1930s. The drive towards protectionism was reinforced by the so-called "Economic War" with the UK, lasting several years, which centred on the refusal of the new government to pay certain land purchase annuities to the British government. The protectionist policy of the 1930s received valuable support from John Maynard Keynes. Speaking at the first Finlay lecture in UCD in April 1933, Keynes admitted that '... if I were an Irishman I should find much to attract me in the economic outlook of your present government towards self-sufficiency', but he questioned whether self-sufficiency was 'feasible without a disastrous reduction in a standard of life which is already none too high' (Keynes, 1933, p. 189).

From 1932 the Irish Free State changed from one of the least to one of the most protected countries in the world by imposing high tariffs on imported goods. According to Whitaker (1973) some economic progress was made, but much of this industry was 'small in scale', producing mainly for a 'stagnant home market' and there were 'obvious deficiencies of enterprise, management and technique in many protected industries' (pp. 412–3). This observation is understandable since a domestic industry that was protected by high import tariffs was not likely to need information on operational efficiency or rely heavily on management accounting information for decision making.

However, legislation to control prices and to prevent profiteering was introduced with the Control of Prices Act, 1932, and it is logical to suggest that such legislation may have had some impact on management accounting practice. The Report and Statement of Accounts for 1937, submitted to the AGM of the Institute of Chartered Accountants in Ireland in 1938, noted that 'many of the larger concerns are now more keenly alive to the advantages accruing from cost and statistical records to guide them in manufacture and sales, and to assist them in furnishing the production and other returns which have to be made to Government departments' (p. 329). The same report stated that 'the Prices Commission (Extension of Functions) Act, 1938, indicates that intricate cost statements will be required by the Prices Commission charged with the duty of dealing with claims for adjustments in tariffs and quotas' (p. 328). However, the evidence provided by firms to the Prices Commission reveals a significant lack of management accounting information as the following quotations indicate:

> The information thus supplied [was] inadequate...and [we] found ourselves without the information that we regarded as essential. (Prices Commission Report, 1934, p. 26)
>
> The majority of the statements received from individual Master Bakers were of little value for the purpose of determining exact costs. (Prices Commission Report, 1935a, p. 17)
>
> The information supplied to us by coachbuilders regarding their costs of production was generally unreliable. (Prices Commission Report, 1935b, p. 12)
>
> One of the main obstacles in our investigation has been the difficulty in procuring accurate costing figures. (Prices Commission Report, 1938, pp. 22–23)

Thus, it appears that the impact of price control on management accounting practice was not very marked. For example, Farmar (1988) reveals that during this period Craig Gardner and Company – one of Ireland's largest auditing firms –

prepared year end financial statements for most of their clients, even very large companies. The Committee on Industrial Progress (1973, p. 52) reported that

> many firms rely on their audited accounts (which are often 12 months in arrears) to indicate to them whether in fact they are operating profitably [and] the survey reports have given rise to considerable disquiet at the standard of management accountancy, costing and financial control in Irish industry.

Such evidence clearly points to the lack of any worthwhile management accounting information within many Irish companies as late as the 1970s.

In addition to the protection of Irish industry through the imposition of tariffs, the Fianna Fáil government, to prevent loss of control of Irish industry by takeovers, went out of its way (partly in response to public opinion) to discourage the inflow of foreign capital (Daly, 1984). The Control of Manufactures Acts (1932 and 1934) required that all companies established in the Irish Free State after 1 June 1932 which did not have a majority of native shareholders, must apply for a licence to conduct business. Licences were to be refused or issued at the sole discretion of the sponsoring Minister. Not surprisingly, the proposed legislation generated many colourful debates in the Dáil (the main house of the Irish Parliament). For example, one opposition deputy denounced the "absolutely autocratic powers" of the Minister. Another suggested that nowhere in the world had "it been declared that whether or not a business is to be allowed to come into a country is to be dependent upon the will of a Minister" (DEOR, 14 June 1932). The legislation probably prevented a number of Irish acquisitions by American companies, as happened in the United Kingdom during the 1930s. These acquisitions were important in diffusing American methods of management practice and management accounting in British industry (Hannah, 1976). Moreover, the employment of non-nationals was not encouraged and companies who recruited key workers from outside the Free State experienced considerable pressure to discharge them (Daly, 1984). This restriction on non-national workers, mainly managerial professionals, was a barrier to the dissemination of management accounting ideas. Thus, in overall psychological terms, this legislation must be viewed as reflecting considerable hostility to foreigners. It would not be repealed until the political and economic transformation of the 1950s.

MANAGEMENT ACCOUNTING EDUCATION AND THOUGHT IN IRELAND

Management accounting thought and its related teaching should be discussed in the context of Irish business education in general. Roche (1997) suggests that when we look back over the period since the foundation of the Irish State we discover a none too flattering picture of business education in Ireland. Commerce faculties were first created in the three new colleges of the National University of Ireland, a body created by the Irish Universities Act of 1908. However, these faculties were poorly funded and understaffed. A professorship of commerce and accountancy was filled in 1914 in University College Galway (UCG) with the appointment of Bernard F. Shields but the other two universities, University College Dublin (UCD) and University College Cork (UCC) only appointed lecturers in accounting. Of interest is the fact that Professor Shields was the first Professor in the United Kingdom with "accountancy" or "accounting" in the title (Clarke, 2004). A school of commerce was established in Trinity College in 1925 and the official history of that university reveals that it was founded primarily as a result of pressure from the Protestant middle class who wanted their sons to be given some 'polish and the chance of making the right kind of friend'. McDowell and Webb (1982) describe the school as follows:

> It was a fairly humdrum affair; service teaching in economics and modern languages, and in relevant aspects of geography, history and law, was given by slotting the commerce students into appropriate classes, while part-time lecturers from the business world of Dublin came in to instruct them in strictly commercial matters. ...It did not add much to the lustre of the college, but at least it induced a few commercially minded fathers to give their sons a university education without feeling that they were completely wasting their time. (p. 449)

The commerce/business degrees offered by the universities lacked overall status in the community. For example, an early and distinguished graduate of UCD recalls that 'the commerce degree at that time had the lowest standing in Academe, below even the BA pass degree in Trinity College which had an exceptionally poor reputation' (Andrews, 1982, p. 39). Even more critical are the views of future politician James Dillon, who was a student in the commerce faculty at UCD but became convinced of the uselessness of the course he was following and never sat for his degree (Manning, 1999). Further evidence of the unsatisfactory condition of both Irish education and management is provided by the Report of the Fiscal Inquiry Committee (1923, p. 38) which claimed that:

> the high cost of production in Ireland is partly to be explained by the absence of efficient management. This is partly due to the absence of a widespread system of higher commercial education...

Michael McCormac (former Dean of the commerce faculty at UCD) recalls that the attitude within Irish universities in the late 1940s and 1950s was that 'business studies wasn't the sort of thing a university should be dabbling in. It was felt that there was no real academic content and flavour to it. The B. Comm. degree at UCD was pretty poor. There was a bit of accounting and a bit of rubbishy commerce' (McCormac, 1996, p. 30). A review of the university syllabi at that time indicates a general absence of cost or management accounting topics. For example, in UCD a new topic of 'cost accounts' was introduced in 1938/39 as part of the Accountancy II course and included areas such as 'objects and uses; classes of cost accounts; stock and store records; connection with Financial records' (UCD Calendar, 1938/39, p. 787). Oral evidence gathered by this author indicates that a small number of lectures on cost accounts were provided during the late 1940s and early

1950s but were generally considered by participants to be of little value (management accounting, as a subject in its own right, would not appear on undergraduate syllabi until the 1970s).

An important factor that hindered the development of business education in Ireland was, as the well-known historian, Joseph Lee (1989) has pointed out, the lack of demand for an intellectual approach to management education from a business community dominated by small enterprises. For example, a leading Dublin businessman argued in the Dáil that

> a business man who sends his sons to college, if he had any intention of their carrying on his business, must run a very grave risk that these boys, after they have gone through college, would cease to have any intention of going into the business. In other words, a training in the University unsuited men in their ideas...the man who went through college has always been dissatisfied to enter an occupation which his University training made him think was beneath his dignity. (DEOR, 11 July 1924)

The demand for university places in general was low since, until the mid-1950s, less than 10 per cent of school children proceeded beyond primary education. Garvin (1999) notes that 'between 1922 and 1957, educational participation rates scarcely changed, a scandalous symptom of the hands-off posture enforced by jealous churches on a timid government' (p. 361). Indeed, as late as 1964, of the 642,252 students in full-time education in Ireland, only 13,153, or about two per cent, attended university and only about 10 per cent of these were classified as business/commerce students (Investment in Education, 1965). The Commission on Higher Education (1967) estimated that, of these business/ commerce students, about one-third entered the teaching profession, another one-third entered the service of central or local government with the remaining entering "business firms".

Berland and Boyns (2002) note that the dissemination of new ideas can occur through a number of mechanisms, but the most obvious ones are through publications, either in journals, book form or seminars. Until recently, publication outlets for management accounting articles were severely limited in Ireland. *Accountancy Ireland* - the official journal of the Institute of Chartered Accountants in Ireland - was launched in 1969. Its first article on management accounting appeared in February 1970 on the use of marginal costing (Maxwell, 1970) and this was soon followed by an article on budgets (Pogue, 1971). The void was filled to a greater extent, however, by the establishment in 1979 of *IBAR – Irish Business and Administrative Research*, now renamed *The Irish Journal of Management*. The first volume of *The Irish Accounting Review* – a journal for accounting academics - was published in spring 1994, having previously been produced as *Proceedings of the Annual Conference,* with a first edition in 1990. Prior to this time, it is difficult to identify Irish authored articles on management accounting. However, the absence of any comprehensive bibliography of publications on the topic makes it difficult to be unequivocal about this statement. As far as can be ascertained, the first major *published* Irish contribution specifically on management accounting thought was made by Martin Rafferty, a UCD graduate who had also studied at Harvard, when he presented his paper 'Information for Management' at the tenth International Congress of Accountants in Sydney, Australia in 1972 (Rafferty, 1972). The paper discusses the use of management accounting information in companies and highlights the relevance of key success factors - an area that is currently very topical in the management accounting literature. It is worthwhile to note an earlier paper presented by Frank Peard at the 1958 Conference of the National Association of Accountants in Southgate, California, entitled 'Future Developments in Accounting'. While this paper was mainly concerned with the issue of idle capacity, it predicted that 'in a few years the traditional methods of dealing with overheads will be as much out of date as the Model T Ford'. The paper referred to the term 'activity costs...which arose only when the factory was in operation' (Peard, 1958). Clearly, this was an early attempt to highlight the existence of non-volume based cost drivers, recently popularised with activity-based costing. An additional source of dissemination of management accounting ideas and techniques would be the existence of management research or focus groups. These were important in the United Kingdom (see Boyns, 1998), but no evidence of their existence in Ireland has been uncovered.

The dearth of articles on management accounting is mirrored by the absence of Irish published books on management accounting. Textbooks, according to Parker (2002), represent the generally accepted conventional wisdom of their times. The first management accounting book written in Ireland was published under the title *Accounting Information for Managers* (Clarke, 1994/2002). However, it should be noted that English is the commonly spoken language in Ireland and therefore it was not necessary for books to be written in or translated into the native language in order to disseminate ideas or techniques. Indeed, a review of cost or management accounting syllabi in Ireland during the 1960s, as the subject gained popularity, indicates that UK and US published textbooks were listed as recommended reading. Thus, the analysis of Irish publications to trace the evolution of management accounting thought and practice cannot be as fruitful as in other countries (Gunnarsson, 2001; Conde, 2003).

Parker (2002) mentions that the growth in discussions of budgeting within the accounting and management literature came largely from the first International Conference on Budgetary Control hosted by the International Management Institute in Geneva in 1930. Yet another example of the apparent lack of interest in this management accounting topic is that only one of the 258 delegates was classified as "Irish" and there is no record of this person making a contribution (verbal or written) to the proceedings. This person (Miss Green) was the managing director of a "Commercial calculating service in Dublin", about which nothing is currently known. In total, 24 different countries were represented at the conference (International Management Institute, 1930).

THE ACCOUNTANCY PROFESSION AND THE DEVELOPMENT OF MANAGEMENT ACCOUNTING

One also needs to investigate the role of the accountancy profession in Ireland in the development of management accounting. The Institute of Chartered Accountants in Ireland was established by Royal Charter in 1888 as an all-Ireland body (O'Regan and Murphy, 2000), and it remains the biggest and most prestigious professional accountancy body on the island. It is reasonable to presume that the examination syllabi of such a body should correspond to the practical work of accountants. The Institute of Chartered Accountants in Ireland introduced a new examination syllabus in 1920, to come into effect on and after 1 July 1922. The examination consisted of three tiers, namely, a preliminary, an intermediate and a final examination. In the final examination there were six specified subjects, but financial accounting, auditing and law dominated the syllabus. It is interesting to note that cost accounting was, then, very much of minor importance. It was included only in the final year subject 'commercial accounts', which included topics relating to 'company accounts, the drafting of books for various businesses, income tax statements and the law relating thereto, *Cost Accounts* [italics added], etc.' (Institute of Chartered Accountants in Ireland, 1920). The term cost accounting was mentioned on the syllabus for the first time, but its importance, in terms of overall exposure, was relatively minor. A new syllabus was introduced in 1955, which included a subject 'taxation and cost accountancy' at the intermediate examination level and the subject 'cost accountancy' was examined as one of the eight subjects at the final examination level. The topics included: 'The advanced aspects of the subjects set out in the Intermediate syllabus for Cost Accountancy; Estimating, Research and Development costs; plant records and depreciation; standard costing and budgetary control; management accounting, and presentation of information to management; marginal costing; cost control accounts and the general principles of factory organisation' (Institute of Chartered Accountants in Ireland, 1955).

The Irish accountancy profession was relatively small at the foundation of the Irish Free State and continued so for many years. For example, the total membership of the Institute of Chartered Accountants in Ireland during the 1930s was about 300, of which a significant proportion worked in Northern Ireland or abroad. Most of the chartered accountants working in the Republic were employed in professional accountancy firms rather than industry. The Commission on Vocational Organisation (1943) noted that the total membership of the Institute of Chartered Accountants in Ireland was 434, of whom only 160 practised in the Republic of Ireland and a further 202 in Northern Ireland; the remainder worked abroad. The Society of Incorporated Accountants and the Association of Certified Accountants had 211 and 158 members respectively (Commission on Vocational Organisation, 1943). The same Commission did not even mention the Institute of Cost and Works Accountants (ICWA) - now the Chartered Institute of Management Accountants - presumably because of its very small size. For example, the first two students sat ICWA exams in Dublin in 1931 and by 1944 there appears to have been five members and 30 students from Dublin and adjoining counties; by 1950, there were only 20 members and just over 130 students in the Republic (CIMA, 1994). The small number of qualified accountants in Ireland contrasts with the membership of, for example, the Institute of Bankers in Ireland, which at that time was approximately 3,500 (White, 1998).

This paper has already noted that the large professional accountancy firms often prepared year end financial statements for their clients as a routine part of the annual audit. This (external) service suggests the absence of accounting information for managerial decision making. Indeed, the professional accountancy firms did not assist clients in the preparation of management accounting reports until the early 1960s, when one of the most prestigious Irish accountancy firms (now PricewaterhouseCoopers) set up a new section in their office to advise clients 'on the type and form of accounting and statistical information which should be provided for management' (Farmar, 1988, p. 195). Some ten years earlier, in 1952, the Cork-based Sunbeam Wolsey - which was one of the largest industrial companies in Ireland, employing almost 3,000 people - engaged London consultants to install an integrated system of standard costing, budgetary control and marginal costing (CIMA, 1994).

Thus, for nearly four decades, Ireland experienced a type of independent isolation, with little economic growth and less development in accounting matters (see Clarke, 2001). Small, family-owned companies dominated the Irish business landscape. For example, Linehan (1961/62), in an analysis of the 1958 *Census of Production*, reports that the total number of establishments included in 'Manufacturing Industry' was 3,106, with one half of them having, on average, less than 15 persons employed. Only 31 establishments, or one per cent of the total, had more than 500 employees. Clarke (2001) argues that the small size of most commercial enterprises meant that Ireland had not reached a stage of managerial capitalism whereby there was effective separation of ownership and management control, and this curtailed the demand for accounting information.

THE POLITICAL AND ECONOMIC TRANSFORMATION

By the mid-1950s, Ireland's overall economic performance lagged far behind most other European countries. In contrast to other European countries, and judging by the economic statistics relating to that time, the economic progress made as a result of the loans and grants facilitated by the Marshall Plan between 1948 and 1952 must have been a disappointment. The lack of significant economic progress relative to other European countries during that period is understandable, given that the funds were largely spent on dubious land reclamation and rural electrification (Whelan, 2000). Between 1949 and 1956, the Gross National Products of the European democracies grew by 42 per cent; the rise in Ireland's GNP over those years was a mere eight per cent (Economic Development, 1958, p. 11). As Breen et al. (1990, p. 36) note:

> Industry was incapable of expanding to provide the opportunities for employment within Ireland. Insulated by high tariffs from competition with foreign firms,

> domestic manufacturing was inefficient and geared almost entirely to the small home market... a distinct reluctance by private investors to provide capital, offered little potential for industrial expansion without effective and extensive State intervention.

The Government White Paper, *Programme for Economic Expansion* (1958), signalled a complete change in the Republic's economic policy. It signalled an abandonment of the protectionism that had been in force since the 1930s. The *Programme for Economic Expansion* explicitly proclaimed the State's willingness to facilitate foreign-based investment. An important tax incentive, Export Sales Relief, was introduced by the Finance Act of 1956. This granted 50 per cent tax remission on profits earned on increases in exports. In 1958 the proportion of tax remission was raised to 100 per cent and the period of tax relief was extended in 1960 from 10 to 15 years. Diminishing concessions for a further five years were also granted. This extremely attractive taxation incentive encouraged domestic firms to sell beyond the small domestic market and also non-national firms to set up subsidiary companies in Ireland to produce for the export market. (One should also note the important psychological boost of *Economic Expansion* in diminishing the all-too-prevalent mood of despondency about the country's future.) The Control of Manufactures Act was repealed and an Anglo-Irish Free Trade agreement was subsequently signed in 1965. Subsequently, Ireland gained membership of the EEC (now the EU) in 1973 and being a member of the largest trading bloc in the world enormously increased the country's attractiveness as a location for foreign, and in particular American, investment. It was inevitable that, for example, US subsidiaries in Ireland would implement management accounting systems mandated by Head Office. This, certainly, was the case in the UK during the 1950s, as Dunning (1998) discovered that the majority of US affiliates in the UK reported that they copied their parent plant's methods in respect of production control, budgetary planning and standard costing. In addition, domestic Irish firms felt it necessary to develop their management accounting systems as a natural corollary of their expanding industrial environment. Thus, the Committee on Industrial Organisation (1965), which was established to make a critical appraisal of the measures that might have to be taken to adapt Irish industry to conditions of more intensive competition in home and export markets, reported that there

> were serious management deficiencies in the majority of industries. These included the absence of...budgetary control, stock control, monthly or quarterly trading accounts, sales analyses and forecasts, cost accounts etc. Failure to use these aids was probably the most tangible evidence of the need for intensified management education. (1965, p. 21)

Evidence of the development of management accounting practices around this period within Irish industry is provided by Tomlin (1966) and Gorman, Hynes, McConnell and Moynihan (1975). Both of these studies focused on general management practices in use, including the use of formal cost accounting systems, budgetary control and standard costing systems, the preparation of financial statements and the availability of other financial information. A summary of the results is presented in **Tables 1a, 1b and 1c** below.

TABLE 1A: ESTIMATED % OF FIRMS HAVING A FORMAL COSTING SYSTEM

Firm Size (No. of Employees)	Tomlin (1966)	Gorman et al. (1975)
500 or More	91%	88%
100–499	58%	88%
20–99	35%	63%
Source:	*Table 14.1.1 (p. 210)*	*Table 1.8 (p. 31)*

TABLE 1B: ESTIMATED % OF FIRMS HAVING A BUDGETARY CONTROL SYSTEM

Firm Size (No. of Employees)	*Tomlin (1966)*	*Gorman et al. (1975)*
500 or More	72%	83%
100–499	33%	66%
20–99	13%	39%
Source:	*Table 14.2.1 (p. 214)*	*Table 1.7 (p. 29)*

TABLE 1C: ESTIMATED % OF FIRMS: HAVING A STANDARD COSTING SYSTEM

Firm Size (No. of Employees)	Tomlin (1966)	Gorman et al. (1975)
500 or More	59%	61%
100–499	24%	50%
20–99	6%	17%
Source:	*Table 14.3.1 (p. 217)*	*Table 1.3 (p. 24)*
Sample size for all tables:	*141*	*163*

A high proportion of responding firms claimed to have formal cost accounting systems, but their claims may have been exaggerated due to the nature of the survey instrument. Budgetary control and standard costing systems were less common. However, as Boyns (1998) points out, it is important to understand precisely what is meant by terms used in the survey instrument, as otherwise conclusions regarding their application and use are a matter for conjecture. The reported usage of these management accounting techniques was strongly associated with the size of the firm (measured by the number of employees) - the larger the firm, the more likely it was to use these techniques. A plausible reason for this finding is that larger companies were likely to have greater resources and need for such systems. In addition, it was reported that the usage of management accounting techniques was strongly associated with ownership status, with foreign-owned firms more likely to use the techniques of management accounting. A comparison of the results indicates an increasing reliance on these techniques, especially by small and medium-sized firms.

Radical changes were also taking place within the Irish educational scene. The key contribution here came from the report *Investment in Education* (1965), which articulated the notion that education represents a specific economic asset for the community and is one of the factors contributing to a country's economic development. In 1964 it had been decided to increase the minimum school-leaving age to 15 years and this was soon followed by the introduction of free secondary education. Thereafter the demand for university places grew rapidly and was further fuelled by a buoyant economy, which increased industrial demand for university graduates. Some indication of this growth is provided by **Table 2**, which presents selective data on UCD graduates over selected years. Relative to the growth in medical graduates over the 50-year period, the growth in commerce graduates is truly remarkable.

TABLE 2: TOTAL GRADUATES IN SELECTED DISCIPLINES IN UCD

	Commerce	Medicine
1922/23	14	78
1932/33	33	32
1942/43	22	127
1952/53	91	115
1962/63	100	69
1972/73	356	118

Source: UCD Calendars (various)

Increasingly, these graduates from UCD, and other universities, found their way into the accountancy profession. This trend was fuelled by the aspiration of the Derryhale Report (1970), published by the Institute of Chartered Accountants in Ireland (ICAI), that accountancy should become an all-graduate profession. The transformation around that time was dramatic. For example, the percentage of total entry represented by graduates was 47 per cent in 1969, but had risen to 70 per cent in just four years (Tobin, 1974).

Within the education sector, other important changes were also taking place. The Irish Management Institute (IMI) was formed in 1952 with the aim of improving general management education in Ireland (Cox, 2002). A journal of the IMI was quickly launched which contained a wide variety of articles for practicing managers. For example, the costing system in use in the Hammond Lane Foundry was described to readers and this costing system included, *inter alia*, budgetary control and standard costing so that 'everyone of our management executives is made aware of the actual results he is achieving in relation to the results we planned he would achieve' (Masser, 1956, p. 137). At university and professional level, increased emphasis was to be placed on the discipline of accounting and management accounting in particular. For example, in 1964, UCD offered the first MBA programme in Europe with 'Management Accounting' being offered as a second year subject (UCD Calendar 1964/65). At undergraduate level, 'Management Accounting and Finance' was introduced into the second year of the B. Comm. programme in UCD for 1973/74, while 'Management Accounting' was first introduced as a final year subject the following year (UCD Calendars, 1973/74 and 1974/75). In addition, throughout the 1970s the universities advertised for professorships and lecturers in accounting, with the first full-time Chair dedicated entirely to accountancy being created by UCD in 1971 and filled with distinction by the late Desmond Hally. At the professional level the syllabus of the ICAI was revised in 1977 and for the first time the term 'Management Accounting' was used to describe a separate, examinable subject of the Institute, although the course outline reflected much that had been prescribed in previous years (ICAI, 1977). In addition, the Institute became a sponsor of the Joint Diploma in Management Accounting in the mid-1960s, and this diploma was designed to 'encourage the study of management accounting at a post-qualifying level [and signified] that the holder has obtained the highest technical award available to accountants and has extensive practical experience in the field of management accounting' (Accountancy Ireland, 1969).

The evidence presented in this paper regarding management accounting practices is preliminary and is often based on secondary sources, since serious investigation is a relatively recent phenomenon. As far as can be ascertained, the first specific investigations into management accounting practices in Irish companies were undertaken, independently, by Clarke (1992) and Nulty (1992). Subsequent studies have been carried out and include those by Clarke (1997), Pierce and O'Dea (1998) and Clarke, Hill and Stevens (1999). The general picture that emerges from these studies of large companies is that management accounting practices in Irish industry remain predominantly traditional. In particular, there appears to be widespread use of budgets, standard costing and variance analysis. Indeed, when comparison is made between the Clarke 1992 and 1997 studies it appears that management accounting practices appear to have changed little during the 1990s. However, Lukka and Granlund (1996) remind us that such notions as "current practice" and "present state" are situated in time and so there is a continuous need for empirical studies in order to keep track of developments.

DISCUSSION AND CONCLUSION

This paper has tried to highlight some of the major influences behind the development of management accounting practices within Irish companies since the foundation of the Irish Free State. This is the first time that such a study has been carried out and it highlights only certain periods or phases. Evidence from the early twentieth century suggests that the internal cost and management accounting systems in Ireland were rather primitive. During the protectionism years of the 1930s to the 1950s, there is little evidence of widespread costing systems or management accounting in operation. The political transformation in the mid-1950s dramatically changed the business environment in Ireland. This generated the establishment of subsidiaries of multinational enterprises, encouraged by generous tax incentives. Thereafter, the growth of management accounting practice has reflected both developments in business ownership and size, and improving economic conditions. However, recent research reveals that, in general terms, management accounting systems currently in use within Irish manufacturing companies can be described as "traditional" in the sense that they predominantly focus on budgetary control, standard costing and variance analysis. There is evidence that indicates some adoption of modern management accounting techniques such as activity-based costing, but these are not as widely used as normative accounting theory suggests.

The study of accounting history informs us that management accounting practices evolve in association with changes in the environment and social needs. Also, as Hoskin and Macve note, 'we are always rewriting the past, whether through new evidence, new interpretations, or a new focus on old overlooked events' (2000, p. 92). Boyns (1998) argues that more archival evidence is required before generalisations about the process of implementation, use and effectiveness of management accounting systems can be reached. Such archival research may be conducted either at a national level or within specific industries (see Fleming, McKinstry and Wallace, 2000). An alternative approach would be to study one Irish company over a long time and map out its changing management accounting practices in response to internal and external events. This research could also focus on whether the development of management accounting practices in Ireland could be described as a case of "Americanisation", i.e., copying what was done in the United States, and with the help of considerable American influences (Berland, Boyns and Zimnovitch, 2002). Management accounting is not subject to the legal and institutional boundaries of financial reporting and therefore could be studied in an international context. Certainly, the development of management accounting practices in Ireland is a topic that offers itself for considerable discovery.

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NOTES

1 Since 1922 the island of Ireland has been divided into two separate political entities commonly referred to as Northern Ireland (which is part of the United Kingdom) and the Republic of Ireland. Unless specifically mentioned, all references to Ireland in this paper (post 1922) refer to the Republic of Ireland.

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