

Securities and Exchange Commission Historical Society
interview with Andrew Barr
Conducted July 17, 1992 by Dr. Gary Previts, Introduced by Dale L. Flesher

Video 5

Dr. Previts

I have down any number of issues during your Chief Accountantship. If someone wanted to find a very quick synopsis of them, the piece that Steve Zeph wrote that included 14 who made a difference in the May issue of the 1987 Journal of Accountancy gives a snapshot of your contributions, and there are some things that maybe stand out. My notes caught up.

When I had written you earlier, I said there were going to be... Had gone through your collected writings and had noted two, or actually more than two or three, I think I had five or six down here. But the one that always catches my attention and the one I assigned to students to read, up to this day, is your piece on the Independent Accountant of the SEC. It was written in 1959.

It has to do really with the controversy that goes on, I think perpetually, about how the Independent Public Accountant resolves the matter of responsibility to the client, to the public, and regulates the relationship with the regulatory body such as the SEC. And about the time, I guess this paper was written, the Institute and the SEC were quite a bit apart in their views on independence in the sense that the institute and the profession may have been advancing a notion of, as they have, I think fairly consistently, that independence is a state of mind, and therefore it's an individual issue.

Whereas, over time, the commission has always focused on relationships as evidence of actions that might suggest a state of mind. But particularly I think there was an Illinois episode here, the Illinois Society of CPAs that adopted independence rule that I think was being proposed maybe and ultimately was adopted as the model for what the Institute changed to about this time.

Andrew Barr

I just don't remember the-

Dr. Previts

Particulars?

Andrew Barr

I don't know. I don't remember that at all. I'll give you a little example though on independence.

Dr. Previts

Okay.

Andrew Barr

This was when we were at 425 second Street. And one day a gentleman came on the front door and spoke to Mary Margaret Glorious. How do you like that for a name?

Dr. Previts

Mary Margaret Glorious.

Andrew Barr

Well, she was a very good secretary. She used to claim that she was just like a CPA, so she had some kind of semblance... She did certain things and studied to be an office secretary. Well, anyway, she was good, but she was kind of hard on some people. Well, this fella walked in and asked Margaret if I was in, could I be available for a little conversation. So I told her, "Bring him in."

So he outlined a little problem he had. His Father-in-law was running a business that was going to a point where he ought to consider registration with the SEC. Now the question comes to me, could he do that? I said, "No, you can't do that." It wasn't a very long conversation, and his response to that turn down was, "Thank you very much."

Well, he recognized he was not independent. His wife and his father-in-law get after him. New company, going public. No, he was dead right. So he sought my help to get along with his family.

Dr. Previts

And that's not unlike some of the arguments that when you have a client problem, it's nice to have someone with a stick behind you saying, "You've been right all along."

Atlantic Research Corporation. That's a name that I came across in our, I, again, remember a conversation with you back at the University Club many years ago about Atlantic Research Corporation. 1964?

Andrew Barr

That was a celebrated affair in Virginia. And here's where I'm beginning to lose memory of names, but there was an engineer who was the head of that outfit, and he thought he knew more about accounting and finance than all the exchanges in the world and all the chief accountants in the world. So we had a little trouble with him. I don't think I should go any farther.

Dr. Previts

But the issue really dealt with the difference between measuring and reporting income for the annual report to shareholders, versus the way in which you followed and reported net income, for example, in a 10-K filing. It was possible under those circumstances to have a different net income figure for the annual report as opposed to the 10-K. That was related to the argument, wasn't it?

Andrew Barr

Well, to some extent, yes. I tried to head off a lot of that. It was a problem. In fact, John Cooley mentioned his interest in bad accounting, and ignorance of people who use accounting statements and so forth. That was one of the problems that I was interested in that subject from my field days. I tried to get the students who were members of the factory-owned company to get their fathers or whoever's great relationship, to give them a copy of their financial statements. Take to the class and show the professor. Well, there's one man said, "Indeed not. You're not going to do math. Those people will blast it all over the world." Had no confidence in Professor Coteau. There's still an instructors.

Dr. Previts

Well, the Atlantic Research, I guess, was written up in Barron's?

Andrew Barr

Oh, yes. It was widely broadcast that was going on.

Dr. Previts

As I recall, the resolution was that, eventually, by tightening up various issues, we got to the point where the net income on the annual report to shareholders and the net income in the 10-K have to be the same. In other words, you really can't put your financial statements cast in one light for the commission filing and then cast them in, let's just say, a little more glowing light for the annual report to shareholders.

Andrew Barr

One thing I saw done quite a little, was this business of condensing the statements up in front, in the President's letter or someplace like that. And often you'll find that is blown into something very important. The financial statements in the rear are just some copied stuff.

Dr. Previts

People tend to read the slicker presentation.

Andrew Barr

That's why they do it that way. One thing I'm trying to privately campaign against, when I talk to anybody who's guilty of doing what I described, I've noticed over the years that the annual report corporations is getting to be the hardest job, and not.