

Stewardship: The core of cooperative accounting

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Abstract

Stewardship is the core of cooperative accounting. It is the responsibility of the cooperative to manage the resources of its members and the community in a sustainable and ethical manner. This paper discusses the importance of stewardship in cooperative accounting and provides a framework for understanding its role in the cooperative movement.

The cooperative movement is based on the principle of mutual aid and the goal of meeting the needs of its members. Stewardship is the foundation of this movement, as it ensures that the resources of the cooperative are managed in a way that is sustainable and ethical. This paper discusses the importance of stewardship in cooperative accounting and provides a framework for understanding its role in the cooperative movement.

Cooperative accounting is a system of accounting that is designed to meet the needs of the cooperative. It is based on the principle of mutual aid and the goal of meeting the needs of its members. Stewardship is the foundation of this system, as it ensures that the resources of the cooperative are managed in a way that is sustainable and ethical. This paper discusses the importance of stewardship in cooperative accounting and provides a framework for understanding its role in the cooperative movement.

Introduction

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(F... 1957, 569). A...
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... *“they and their accountants began*

Reporting net profits

In 1931, the Cooperative Commonwealth Federation (CCF) was the first Canadian political party to report net profits. The CCF's 1931 financial statement reported a net profit of \$1,000,000. This was a significant achievement for a political party at the time.

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The growth of the matching concept

F. L. Patterson (1930) ↑
 L. Patterson (1925) ↑
 & L. Patterson (1940):
An Introduction to Corporate Accounting Standard

Interested parties need test readings [of the outcomes of business activity] from tie to time in order to gauge the progress made. By means of accounting we seek to provide these test readings by a periodic matching of the costs and revenues that have flowed past “the meter” in an interval of time. (& L. Patterson, 1940:14)

B. Patterson (1941:55); L. Patterson (1943:26) ↑
 A. L. Patterson (1944:115) ↑
 A. L. Patterson (1948:46) ↑

Income is measured by matching revenues realized against costs consumed or expired, in accordance with the cost principle” (AAA, 1941:55); L. Patterson (1943:26) “gain is a difference and must be measured by matching costs and expenses against revenue”; G. Patterson (1944:115) “we can never complete a structure of accepted principles of accounting without basing such principles upon a logical, consistent convention of matching costs with revenues” and Fitzgerald (1948:46) “Perhaps the greatest advance ever made in explaining accounting theory is the concept that the preparation of a profit and loss account is a process of matching cost with income.”

Consequently the investor-owned balance sheet changed from being a stewardship report showing the values of resources entrusted

to being a “tabular statement or summary of balances (debit or credit) carried forward after an actual or constructive closing of books of account kept by double entry methods according to the rules of accounting” (AIA, 1941).

L. Patterson (1940:13,15)

It is a basic concept of accounting that costs can be marshalled into new groups that possess real significance. It is as if costs had the power of cohesion when properly brought into contact.

Ideally, all costs incurred should be viewed as ultimately clinging to definite items of goods sold or services rendered. (& L. Patterson, 1940: 13,15)

Rejection of matching

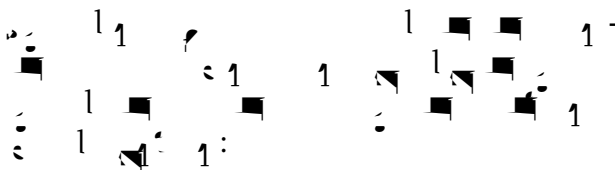
& L. Patterson (1940:13,15)

For a long time I’ve wished that the Paton and Littleton monograph ... had never been written, or had gone out of print twenty-five years or so ago. Listening to Bob Sprouse take issue with the “matching” gospel, which the P&L monograph helped to foster, confirmed

And the market price may be either above or below any calculated cost figure...

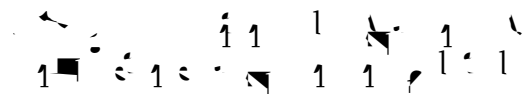
...the central element in business operation is the resources (in hand or in prospect) ... I am further convinced that the most significant measure of any resource is what it is currently worth ... How can we determine where we stand, what earning rate we are achieving, or where we should go from here without knowing the value of employed resources? I object, vigorously, to certified statements showing land and timber at a fraction of their demonstrable current market value... (R , 1971)

Unwarranted Primacy of the Income Statement

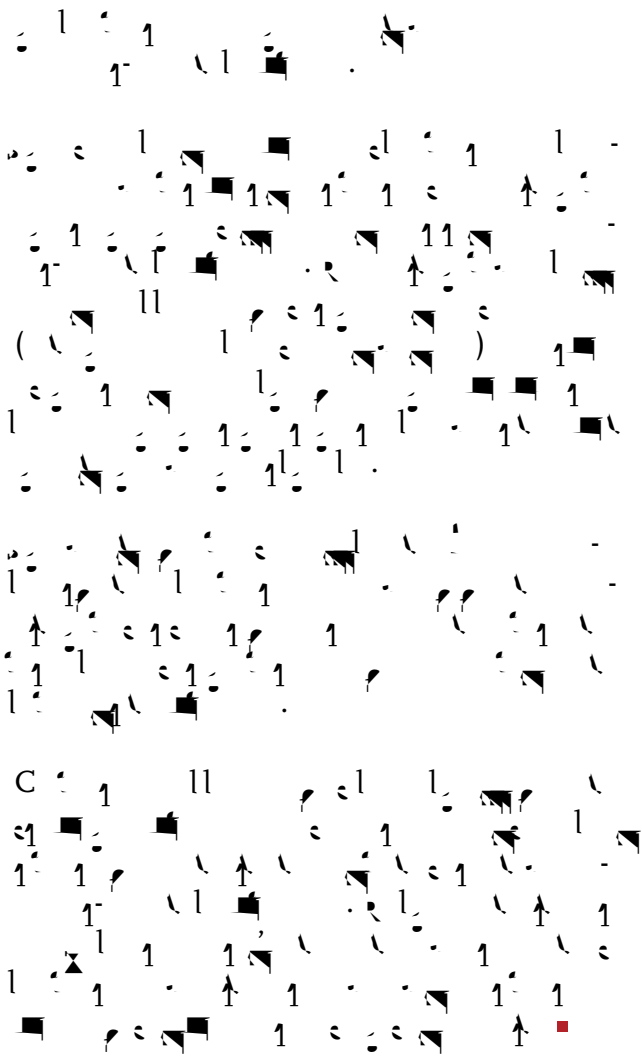


It is probably fairly well recognized by intelligent investors today that the earning capacity is the fact of crucial importance in the valuation of an industrial enterprise, and that therefore the income account is usually far more important than the balance sheet. (AIA, 1932)

Perhaps the most significant change of all is the shift of emphasis from the balance sheet to the income account, and particularly to the income account as a guide to earning capacity rather than as an indication of accretions to disposable income. (L , 1943, 5)







References

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A 1 I ; Al (AIA) *Report of the Special Committee on cooperation with the stock exchanges of the American Institute of Accountants.* 1932.

