

THE LIFE AND CAREER OF ABE BRILOFF

Abraham Jacob Briloff was the only son born of immigrant parents, Benjamin and Anna Kaplan Briloff. He was born July 19, 1917. Three sisters, Yetta, Fannie and Rita, made up the entire family. Briloff's parents were hard-working people; his father was a butcher and his mother was a seamstress. His parents came to America around the beginning of the twentieth century. They were married shortly after arriving in this country. They had little formal education either in this country or in Russia. His father passed away in 1958 with his mother's passing occurring just two years later in 1960. Both were around the age of 70 when they died.¹

Briloff was very close to his maternal grandmother, Rachel, on his mother's side. In fact, this was the only grandparent he remembered. His grandmother was very active in the Orthodox Jewish faith. She is remembered as attending the synagogue about three times a day for various prayer services. His grandparents were from the Minsk area of Russia, Byelorussia.²

Of his siblings, only Rita is still alive today, living now reasonably close to Briloff's home on Long Island. Being the only son, he was regarded as an only child by some within the family. The entire family lived on the lower east side of New York City until Abe was seven. Then, in 1924, they moved to the Williamsburg section of the City

¹ Personal interview with Abraham J. Briloff, Great Neck, NY, June 20, 2005.

² Ibid.

in Brooklyn. “Williamsburg did not have the cachet that it has now. It was just across the bridge from the lower east side, but it was a step up.”³

Education

Briloff began to seriously consider accountancy as a profession when he was around 13 or 14 years old. Ironically, he stated that “If I had all my options in retrospect, I’d probably want to be a lawyer because I have, I believe I had it then too, a predisposition toward that profession.”⁴ He entered Junior High School 50 in Brooklyn, what would now be called middle school, at this time. He was in a rapid advancement program which meant that three years of schooling were covered in two years time. This curriculum was known as RA, RB, RC and RD. When he finished this program, he entered Eastern District High School in Brooklyn as a tenth-grader.⁵

Briloff pursued a commercial diploma while also taking certain academic courses in the sciences, mathematics, and language in order to fulfill the requirements for admission to the School of Business at the City College of New York. New York University was not considered because of the price of tuition and by the fact that Briloff only had a commercial high school diploma and not an academic one. He wanted to be proficient in bookkeeping, stenography and typing so as to obtain a job as a Certified Public Accountant when he graduated. This desire to become a CPA was brought about for very practical reasons. To become a lawyer or a medical doctor required extensive further education while the CPA could be obtained after obtaining an undergraduate

³ Ibid.

⁴ Ibid.

⁵ Ibid.

degree and passing the examination.⁶ Thus began Abe Briloff's seven decades as an accounting professor and practitioner.

It was there in the School of Business that Briloff came in contact with his life-long mentor and great friend, Emanuel Saxe. Briloff became exposed to Saxe's teaching and philosophy when he took a course in estate accounting. In his own words, "It (the estate accounting course) fascinated me, but it was Emanuel Saxe that captured my total being. Even when I strayed from the straight path, it was Emanuel Saxe, or the concept of Emanuel Saxe, that took me right back."⁷

Briloff went on to obtain his undergraduate degree from the School of Business of the City College of New York in 1937. At graduation, Briloff was awarded the first of what would prove to be numerous awards in the field of accounting; the George Kent Hinds Medal in Accountancy, given to the senior in the School of Business and Civic Administration who earned the highest average grade in the fundamental and specialization courses in accountancy.⁸ Briloff noted that the tuition back then per semester was 50 cents, which happened to be the price of the library fee. Upon emerging from the City College with an undergraduate degree in hand, Briloff, because of his background, discovered that, at that time, becoming involved with what we would now call a Big Eight firm, was difficult at best. Accounting back then, for the most part, was nothing more than "journeyman bookkeeping."⁹

⁶ Ibid.

⁷ Ibid.

⁸ *New York Times*, (National edition), "70 to get Honors from City College", June 15, 1937, p. B12.

⁹ Personal Interview, Abraham J. Briloff, June 20, 2005.

Teaching Beginnings

After graduation in 1937, Briloff first began to teach in high school. He was hired as a “teacher in training” for the sum of \$4.50 each day that he taught. He moved upward to become a “permanent substitute” teacher and his salary increased to \$20 per day. In 1940, he received his teaching license and his first assignment. Briloff taught accountancy (in reality, it was bookkeeping). He was also licensed to teach stenography and typing at a salary of \$4,000 per year.¹⁰

Also, in 1940, Briloff married Edith Moss, the love of his life. They were introduced to each other through a pair of mutual friends. They became the parents of two daughters, Leonore Ann born in 1944, and Alice Myra born in 1949. He also has one grandchild, Julie, daughter of William and Alice Briloff Evenstein.¹¹

Work Experience

He earned an MS in Education degree at the City College of New York in 1941. During this period of his life as a high school teacher, he also was employed preparing and reviewing tax returns by a medium sized accounting firm, Apfel & Englander, which later merged to become part of Seidman & Seidman. In 1944, the firm offered Briloff a junior partnership position which he accepted. At the time, one of Briloff’s principal clients was a shirt manufacturer who ran a very profitable business selling shirts to the military during the Second World War. During July of 1947, the owner of the company offered Briloff a very attractive Executive Vice-President position at a “staggering

¹⁰ Ibid.

¹¹ Ibid.

salary,” the salary being many times more than he was earning as a partner at Apfel & Englander.¹²

However all was not as it might seem. Briloff soon realized that before he became an employee of the company, his opinions were considered extremely valuable. After starting to work for the company, the owner discounted his opinions and did not listen to Briloff’s advice. Thus, by the October/November 1947 time frame, just a few months into his new position as Executive Vice-President, Briloff came to the conclusion that his acceptance of the position had been a mistake.¹³

As luck would have it, his old employers at Apfel & Englander rehired him. However, Briloff no longer had the shirt manufacturer as a client. He progressed with the firm until 1951 when he started his own firm with a limited number of clients.¹⁴

Briloff has stated that “I have been extremely lucky throughout my career. Somehow, even while things seem to be negative or adverse, I snatched victory from the jaws of negativism or whatever it is.” An example of this was when Briloff was an employee of the shirt manufacturer. The owner of the company acquired a parcel of successful films that had been previously issued. His intention was to reissue them in the market place and earn a profit. As part of this new business, Briloff made trips to London and California.¹⁵

After he left the shirt manufacturer, a couple of lawyers involved with the purchase of these films, who had been advising the shirt manufacturer, were amazed by the fact that Briloff had left the company and his impressive salary to go back to the

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

accounting firm in New York City. So, when their law firm needed an accountant, these two lawyers recommended Briloff to their other partners. The law firm's name was Phillips, Nizer, Benjamin, Krim and Ballon.¹⁶ The firm exists to this day under the name of Phillips, Nizer, LLP. The work required of Briloff was to assist in the preparation of a small partnership return for the firm members. The total fee involved for the services rendered was \$250. A close relationship ensued with two of the firm's members, Bob Benjamin and Arthur Krim, ending with Briloff being the executor of both their estates.¹⁷

Benjamin and Krim, along with some partners, acquired a company by the name of United Artists from Mary Pickford and Charlie Chaplin. Having become the new owners of this film business, the two lawyers desired to have someone close to the company who could give them sound and practical advice on the accounting and tax ramifications of proposed transactions. This someone was Abe Briloff. As part of his duties for this company, he had to work closely with the auditors of United Artists, Peat, Marwick, Mitchell.¹⁸ Little did Briloff or Peat, Marwick, Mitchell know the future relationship between the two; Briloff becoming a constant critic of not only PMM but all the Big-Eight firms. All from a \$250 partnership tax return.

Being the tax advisor to the partnership involved consultations with the Internal Revenue Service regarding tax treatment of business operations. Briloff reminisced about trips to the IRS back then:

I even recall going down to Washington with the partner in charge of the account to confer with the people in the Commissioner of the Internal Revenue offices about a contemplated transaction. In those days, it was far more informal, or far less formal. You were able to walk in, tell them the nature of the problem, find who it was

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

that handled that area and, if they had time, and they generally did, they welcomed your being there and they would discuss it.¹⁹

Initial Association with Teaching at then CCNY

In addition to working in the public accounting field, Briloff began teaching in 1944 as a lecturer during the evenings at the School of Business of the City College of New York where he had earned his undergraduate and graduate degrees. He had to quit his high school teaching position since, back then, there was a rule that said you could not teach in the public school system in New York at the same time you were teaching in the higher education system of New York. He was able to obtain this position when his mentor, Emanuel Saxe, became chairman of the accounting department and Briloff would teach Saxe's courses. And when Saxe became the dean of the School of Business, he took over Saxe's courses in current accounting practice and theory.²⁰

Having a wife and two daughters brought on the need to earn a sufficient salary to support them. Briloff did this by starting his own practice and teaching night classes at the City College of New York. By September 1952, his practice was successful enough to allow the Briloffs to purchase a house for their family in Great Neck, Long Island.²¹ Briloff still lives in that house.

Obtaining a Doctorate

In 1960, while still managing his growing practice, Briloff enrolled in the doctoral program at New York University on a part-time basis, "pursuing economics, education, accountancy, taxation and economic history."²² He received his doctorate in 1965 with

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

his thesis being entitled “The Effectiveness of Accounting Communication.” He later, 1967, wrote a book with the same title based on his dissertation research. This work, which Briloff believes to be his most significant writing, is his personal favorite although it is not the book for which he is most widely known. (That notoriety belongs to his second book, “Unaccountable Accounting”). This work has been widely read, cited and debated by many within and outside of the accounting profession. In fact, a justice of the Supreme Court, William O. Douglas, through the urging of a mutual friend, Sidney Davis, was introduced to Briloff’s work on “The Effectiveness of Accounting Communication.” Justice Douglas consented to write the foreword to this book.²³ Good fortune was again smiling on the Briloffs, particularly Abe.

Edith was involved in his career and saw to it that all the household responsibilities were attended to and did not become a distraction to Abe. He was managing his own growing practice, teaching at the School of Business and taking classes at night for his doctorate at New York University. “So much of my accomplishments I owe to Edith. I would come home around midnight after commuting, classes usually ended around ten at night. Edith is the one who maintained the household and made all this possible without any complaints whatsoever. I was most fortunate.”²⁴

After serving as a lecturer in accounting since 1944, Briloff was offered and accepted a teaching position at the School of Business of the City University of New York, which had changed its name in 1961 from the City College of New York. In 1968,

²³ Interview of Abraham J. Briloff conducted by Rita Ormsby, Great Neck, NY, November 16, 2005.

²⁴ Personal Interview, Abraham J. Briloff, June 20, 2005.

the School of Business became known as Baruch College, an independent senior college within the City University of New York System.²⁵

Prior to the attainment of his doctorate in accounting, Briloff already had an impressive list of articles, mostly in the tax area. Most of these tax articles were written for the *New York Certified Public Accountant* either with his mentor, Emanuel Saxe, or when Saxe was the editor of the publication. Some of his topics included estate planning, pension planning, and trusts. In fact, in the early 1960s, as chairman of the Estate Planning Committee of the American Institute of Certified Public Accountants (AICPA), he was the principal author of “Estate Planning and the Certified Public Accountant”, which was used as the text in the American Institute of Certified Public Accountants’ professional development program from 1962-1968. This was accomplished while he was taking classes towards his doctorate. He even traveled to various cities and presented seminars based on this program.²⁶

Briloff Becomes a Public Figure

Briloff started to speak out openly and aggressively regarding the problems of the accounting profession as he saw them, and in particular, the lack of effective leadership within the profession. His articles and speeches were filled with denunciations and a list of failures of the profession to live up to their responsibilities to the general public. He was not hesitant to name names of individuals and companies whom he believed to be shirking in accountability and responsibility to the profession as a whole and to the world of individual investors.

²⁵ <http://www.baruch.cuny.edu/about/glance.html>

²⁶ Personal Interview, Abraham J. Briloff, June 20, 2005.

He credits Professor Michael Schiff for “setting a new standard for accounting criticism.” Briloff stated that as far as a critic of the profession goes, it was now: “entirely respectable and responsible to take as a frame of reference an accounting aberration perpetrated by a still very much alive major entity, to actually name names, and for him to survive the resultant obloquy.”²⁷ This became his *modus operandi* throughout his career.

In fact, a favorite story Briloff would tell several times in his career involved the selection of an auditor by an owner who wanted to go public. The story goes like this:

The owner of a closely held enterprise was desirous of going public, whereupon he turned to a prominent underwriter for help. The underwriter reviewed the financial statements and told the owner that his company was first-rate and he would help; however, it was necessary to give the financial statements the appropriate “image” – hence, the company would now have to be audited by one of the “Big Eight” firms.

The owner didn’t know what was meant by the Big Eight, but the underwriter gave him a list of the eight firms comprising this inner circle, namely (in alphabetical order): Arthur Andersen; Ernst & Ernst; Haskins & Sells, Lybrand, Ross Bros. & Montgomery; Peat, Marwick, Mitchell; Price Waterhouse; Touche, Ross; and Arthur Young.

The next day the owner called the underwriter to tell him that it was all arranged – the books would henceforth be audited by one of the Arthurs. The underwriter was impressed – how did the owner go about his task? Did he really study the quality of each of the firms or did he just spin the bottle?

The owner assured the underwriter that a most careful and objective study was made. As the partner of each firm was interviewed, he was asked, “What does 2 plus 2 equal?” Each of the respondents replied “Four, of course” – that is, all but the one from the lucky Arthur firm. His answer, after some serious reflection, was, “What number did you have in mind?”²⁸

One can only imagine how this story was received by the leadership of the accounting profession, particularly members of the Big Eight accounting firms. Not one

²⁷ Briloff, *Unaccountable Accounting*, p. xii.

²⁸ *Ibid*, p. 1-2.

to shy from controversy or be intimidated by authority, Briloff continued to speak out against what he sarcastically labeled CRAP (Cleverly Rigged Accounting Ploys).²⁹ This was in contrast to accounting's GAAP (Generally Accepted Accounting Principles).

Another favorite topic Briloff brought out was his belief that the accounting profession had lost track of its roots and the professionalism exhibited by such historical accounting figures as George O. May, A. C. Littleton, William Paton and Robert Montgomery.³⁰ Briloff declared that the auditor was similar to an historian in that he/she would provide independent, objective judgments of the economic entity as an historian is responsible for presenting an honest, truthful reporting of history.³¹

He continually stated that the accounting profession was losing its independence as it related to audit clients. He insisted there was a deep chasm between how the public viewed the "independent" CPA and how some CPAs actually practiced their profession. The main culprit causing this loss of independence in Briloff's view was the performance by the large accounting firms of management advisory services. Briloff viewed these nonaudit services provided by the Big Eight as causing many auditors to lose sight of their responsibilities and professionalism. More will be discussed regarding management advisory services in a later chapter.

Another favorite subject of discussion that incurred the ire of Briloff was his belief that accounting academics had forsaken their responsibility and role in the development of accounting standards. He lamented the fact that academicians' voices and

²⁹ Briloff, "A Profession in Search of Identity: Between Scylla and Charybdis," Speech given to the American Accounting Association, Aug. 22, 1972.

³⁰ Briloff, "A Good Doctrine Has Been Given Us: Have We Forsaken It?," William A. Paton Distinguished Lecture, University of Michigan, December 10, 1976.

³¹ Briloff, "A Myopia ... as to Public Responsibility," Speech given to the Graduate Division, The Baruch College, May 6, 1975.

views were no longer heard and considered related to the setting of accounting standards and the problems facing the profession. He chastised his academic colleagues for allowing the Financial Accounting Standards Board (FASB) to replace the academic sphere in its customary role as the vanguard of accounting theory and research.

He argued that the academic arena had become:

one where presumptive first-rate accounting intellects are constrained to demonstrate their competence as second-rate financial analysts, applying third-rate mathematical methodology to fourth-rate data contained in various computerized data banks compiled by fifth-rate accounting drones.

As a consequence the leading journals wherein our accounting academics are compelled to publish lest they perish demonstrate intensified mathematical sophistication, with diminished contact with the real world.³²

He further stated that the practitioner community within the accounting profession encouraged this type of research on the part of the academicians since it took attention away from issues relating to problems in practice such as pooling-of-interests accounting and management advisory services. He exhorted his academic colleagues to take back their rightful place in the advancement of accounting theory and the assurance that this theory is followed in practice.

Briloff and A Famous Client

During the 1960s and 1970s, Briloff's private accounting and tax practice grew to over 100 clients. With his location in New York City, he attracted some famous clients. One such client was the singer and actor, Harry Belafonte. Belafonte and Briloff began their business relationship in 1961. That relationship has lasted for over forty years with Briloff handling the tax responsibilities for Belafonte and his various businesses.

³² Briloff, "The Reprofessionalization of Accountancy", Speech given to the Michigan Association of CPAs and The Graduate School of Business Administration, Michigan State University, May 24, 1983.

During 1965, Belafonte approached Briloff for some tax advice on a philanthropic transaction he wished to pursue. Belafonte wanted to pick up the costs for two nannies to assist Dr. Martin Luther King and his wife, Coretta, with the care of his two little children at that time. Dr. and Mrs. King were constantly traveling with the Civil Rights movement. Briloff agreed that it was certainly a very thoughtful and considerate gesture on the part of Belafonte. However, Belafonte had one added stipulation. He wanted the cost of the nannies to be deductible from the taxes of his businesses. Briloff then asked Belafonte on what basis did he think this would be accomplished. Belafonte replied that everyone was doing it and who would know.

Briloff agreed that Belafonte was probably right. Everyone might be doing this and, most likely, no one would find out. But, Briloff then posed this question: “Supposing, Harry, through a weird convergence of factors, it were to be found out. You and I, Harry, might be willing to take the risk of being found out, but would Dr. King be prepared to take the risk?” Prior to this discussion, in 1964, Dr. King had just been awarded the Nobel Peace Prize. Belafonte said that Briloff was correct and told him not to take the deduction.³³

The reason Belafonte brought this situation up to Briloff was the fact that all personnel working for Belafonte, either in one of his companies or handling his personal affairs, had their salaries run through the payroll of Belafonte’s corporation and their checks had the heading Belafonte Enterprises, Inc. Briloff had previously been making an adjusting entry to remove all personal expenditures for salaries from the corporation’s books. This was done in order to properly book expenses of the corporation and not to

³³ Personal Interview, Abraham J. Briloff, Part III, June 21, 2005.

take personal expenditures as a tax deduction. It would have been easy to just forget to subtract the salaries for the two nannies from the total expenses of his corporation.³⁴

Time went by and Briloff got a call in June 1967 from the Internal Revenue Service informing him that the IRS would be auditing Belafonte's corporation. The first day of the audit, the revenue agent requested all the W-2s for the year 1965. Briloff thought this request was somewhat unorthodox since this request usually is made later in the audit. The revenue agent sorted through the W-2 forms and pulled out two. Briloff was unaware who these two individuals were. He asked the bookkeeper and was told that they were the two nursemaids hired by Belafonte to help take care of Dr. King's children.³⁵

This was no coincidence. Briloff asked the bookkeeper if these two employees' salaries were removed from Belafonte's corporation expenses and was assured that they were. Briloff verified this by examining the transactions related to the removal. Since Briloff was curious as to why these two individuals were singled out of all Belafonte's employees during the audit, he asked the revenue agent, saying, "How did you pick these two individuals and why?" The agent replied that he was requested by the Atlanta office to do exactly what he had just done.³⁶

The reason behind this unusual request was that Dr. King, in April 1967, had come out against the war in Vietnam and President Johnson had ordered the Federal Bureau of Investigation to assemble a complete file on Dr. King and known associates, one of which was Harry Belafonte. The thinking was that Belafonte might have been taking a deduction on his taxes for the two nannies and here was a chance to implicate

³⁴ Ibid.

³⁵ Ibid.

³⁶ Ibid.

Dr. King in some wrongdoing. Briloff presented the facts to the revenue agent showing that the two nannies' salaries had been withdrawn from Belafonte's corporation and all was in order. This made the revenue agent extremely happy and he wrote up the facts in great detail.³⁷

Two weeks later, the revenue agent contacted Briloff again and requested another meeting with him. This did not surprise Briloff since the revenue agent never completed his audit. However, when the meeting began, another special agent had accompanied the revenue agent assigned to do the audit. Briloff was asked again to explain and demonstrate that the two nannies' salaries were subtracted from the Belafonte's corporation expenses. The special agent was also satisfied that no tax deduction was ever taken for these two salaries. Subsequently, Briloff had occasion to talk to the revenue agent and he asked him what was the purpose of the special agent in asking the same questions that the revenue agent had asked. The revenue agent stated that when he had turned in his report, he immediately came under suspicion that he had been bribed. The special agent had been sent to verify the revenue agent's report.³⁸

In 2004, Belafonte delivered the Abraham Briloff Lecture at Baruch College. In speaking of Briloff he stated:

I was in need of sage advice at the dawning of my own career. I needed wisdom; I needed somebody whom I could trust, Somebody who brought values to the table that I could depend upon to lead me and guide me through what was a labyrinth of most challenging experiences on almost every front. I dare say that, had it not been for the good fortune of being introduced to Dr. Briloff and his having accepted to play the role of my financial caretaker and also my adviser in a lot of ways, much that I have done and much that I have encountered in life would not have been quite the same without his instruction and his great gift

³⁷ Ibid.

³⁸ Ibid.

and generosity of spirit.³⁹

Briloff and *Barron's*: Beginning of a Long-Term Relationship

Shortly after receiving his doctorate, Briloff's writing and speaking attention was brought to bear on what he considered important accounting profession issues. One of his first forums for his writings on accounting issues was in *Barron's* magazine. The articles Briloff wrote for *Barron's*, over 30 in number, quite possibly are what he is most noted for and placed him into national and international prominence.

Briloff first became associated with *Barron's* in the 1960s. Briloff was attending a meeting consisting of United Artists, Continental Foods, Peat Marwick Mitchell, and Arthur Andersen personnel discussing the potential takeover of United Artists by Continental Foods. During this time he first heard the phrase "pooling of interests." He had never heard of the phrase before. The reason behind the discussion of pooling-of-interests was that Continental needed an earnings boost and, with the purchase of United Artists, Continental would gain ownership of United's portfolio of films. A very sizable amount of income could be gained by Continental by selling these films after placing these films on their balance sheet at the United Artists' carrying value. Continental subsequently decided not to purchase United Artists.⁴⁰

When again he heard the phrase pooling-of-interests in connection with a proposed takeover by Binney & Smith (the crayon company) of a Puerto Rican company in 1966, this accounting method started to capture Briloff's interest. He soon realized the accounting behind the phrase and why this accounting method was starting to become so

³⁹ Belafonte, Harry, "An Artist Speaks", The Abraham J. Briloff Lecture Series on Accountability and Society: Lectures 2001-2005, 2004 Lecture, Binghamton University, State University of New York, p. 28.

⁴⁰ Personal Interview, Abraham J. Briloff, June 20, 2005.

popular. He wrote an article for the *Accounting Review* entitled “Dirty Pooling” in July of

1967. The article rails against this kind of accounting, stating that

So it is that for the present the Board has determined to perpetuate its approval of the pooling of interests concept despite the demonstration in the recent Westec fiasco that this procedure lends itself to distortions....It is left, then, for the academician to assert his role as a critic in our professional community, and to develop for general study those situations where generally accepted accounting principles have spawned aberrations and incongruities.⁴¹

As a result of the publication of this article, Briloff was approached by the chairman of the education committee of the New York State Society of Financial Analysts. The chairman stated that he found the article very interesting and would Briloff be prepared to speak in front of the society. Briloff was concerned about what he would say to these analysts but agreed to speak during their February 1968 meeting.⁴²

Around the same time, November 1967, Briloff was having lunch with a client, Phillip Copeland, a vice-president of General Motors. Copeland was complaining to Briloff regarding the complexity of the financial statements of Litton Industries. Briloff decided to investigate and discovered that Litton was showing constant earnings growth due mostly to pooling-of-interests accounting. Similarly, Briloff was approached by another acquaintance and asked for his assistance in understanding Gulf & Western’s financial statements. Gulf & Western had already acquired Paramount Pictures and was using pooling-of-interests accounting to boost its earnings.

When Briloff appeared and spoke before the financial analysts in February 1968, the title of his speech was “Distortions Arising from Pooling of Interest Accounting.” In his speech, he declared that “pooling has become the ‘in thing,’ and one must look far

⁴¹ Briloff, “Dirty Pooling,” *The Accounting Review*, Vol. 42, July 1967, pp. 489-490.

⁴² Personal Interview, Abraham J. Briloff, June 20, 2005.

and wide before one now finds an acquisition which is being accounted for as a purchase.”⁴³ He also chastised the President of Litton Industries, Roy L. Ash, who had remarked, “In the light of these acerbic comments I take with a major grain of salt the president’s felicitous concluding remark that: “We believe our increase [sales] speaks well for the effective efforts of the 112,000 Litton employees.” Briloff retorted: “For myself, I would say that the increase reported by Mr. Ash ‘speaks well’ only for the distortions which are feasible by the application of pooling of interests accounting.”⁴⁴

However, the speech brought little or no reaction from all the financial analysts in attendance. The chairman of the meeting, David Norr, took a copy of Briloff’s speech to the editor of *The Financial Analysts Journal*, Nicholas Molodowsky. It appeared in the March/April edition of the journal carrying the same title as his speech. That is how Briloff’s speech was disseminated to a much wider audience. In addition, the publisher and editor of the journal called Briloff and asked him to lunch. The purpose of the luncheon was to solicit Briloff to write a regular accounting article for them. Briloff declined but said he would keep their request in mind.⁴⁵

The March/April 1968 edition of *The Accounting Review* contained a criticism of Briloff’s July 1967 “Dirty Pooling” article written by Professor Hendrickson. In the article the author took exception to several points made by Briloff. This prompted Briloff to pen a rebuttal to the critical article and send it off for publication to *The Accounting Review*. The rebuttal was rejected for publication by the *Review* with an explanatory letter

⁴³ Briloff, Abraham J., “Distortions Arising from Pooling-Of-Interests Accounting”, *Financial Analysts Journal*, March/April 1968, p. 73.

⁴⁴ Ibid, p. 74.

⁴⁵ Personal Interview, Abraham J. Briloff, June 20, 2005.

stating that since Briloff had “attributed irresponsibility to corporate management,” the rebuttal could not be printed.⁴⁶

As fate would have it, at the time of the article rejection, the Federal Trade Commission announced that it would hold hearings relating to problems of conglomerations with special consideration given to this “pooling-of-interests” phenomenon. Friends of Briloff at *Barron’s* phoned him and asked if Briloff would write an article regarding pooling-of-interests accounting. Briloff replied, “As it happens, I just had rejected an article that I wrote in May on just this issue. You want to take a look at it?” They agreed and the article was sent to *Barron’s*.

A few days later, *Barron’s* called and said they would like to print the article. *Barron’s* did have a question as to whether the title of the article, “Dirty Pooling,” was coined by Briloff or did it belong to *The Accounting Review*. Briloff replied that it was his. After a brief rewrite of the article to appeal to a wider audience outside of academia, it appeared in the July 15, 1968 edition of *Barron’s* entitled “Dirty Pooling – How to Succeed in Business Without Really Trying.”⁴⁷ Thus, began Briloff’s long and successful association with *Barron’s*. In all, he wrote over 30 articles for the business magazine. Briloff stated that *Barron’s* gave him the “muscle” to back up his writings and gave him some notoriety. Throughout their association, Briloff remained friendly with the staff at *Barron’s* even though they experienced several risks involved with the type of articles he wrote.⁴⁸

When asked how he came up with the topics of these articles, Briloff replied that he did not rely on tips. He sensitized himself to different companies and industries that

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Briloff, *Unaccountable Accounting*, p. xii.

had shown, what he considered, excessive success. He probed into these companies to determine the reasons behind their remarkable success. In addition, a significant number of articles revolved around the continuing controversies engendered by business combinations.⁴⁹

“The Briloff Effect”

A curious phenomenon began to occur during the 1970s regarding Briloff and the articles he wrote for *Barron's*. Since the vast majority of his articles were critical of the accounting methods of companies or even entire industries, investors associated new Briloff articles published in *Barron's* with specious accounting practices or financial problems lurking in the dark. Foster conducted market research during the 1970s regarding the market reaction to new articles written by Briloff and found that there was a reduction in the market price of a stock of approximately 8% the day the article appeared in *Barron's*.⁵⁰ And, more importantly, if a 30-day period were studied after the article was first published, the negative market reaction became permanent.⁵¹

Another study conducted by Desai and Jain in 2004 researched all the articles Briloff wrote for *Barron's* prior to the year 2000. The authors discovered that the negative market effect on stocks in response to a Briloff article about that company or industry remained even after one year had elapsed and might well carry forward over a two-year period.⁵²

Briloff analyzed the financial statements and other publicly available information of his subject matter with no ulterior motive other than the accountability he felt

⁴⁹ Ibid.

⁵⁰ Foster, “Briloff and the Capital Market,” *Journal of Accounting Research*, p. 262.

⁵¹ Ibid, p. 267.

⁵² Desai and Jain, “Long-Run Stock Returns Following Briloff’s Analyses,” *Financial Analysts Journal*, March/April 2004, p. 51.

accountants, and corporate managers, owed to the general public. He accepted only a small payment from *Barron's*, an honorarium, for his articles which was not even sufficient to cover his expenses of retaining assistants to do research for him, read the financial statements and footnotes, and to transcribe his articles from the recording that he made.⁵³ Since he did not usually write about a company that was undervalued, the subject of his article had most likely realized a significant gain in market value at some point before the appearance of his article in *Barron's*.⁵⁴

Briloff's articles usually either contained an attack on generally accepted accounting principles or an assault on the character of the management of a particular company. Included in several articles was a criticism of the public accounting firm responsible for auditing the financial statements of the company in question and that the firm had not fulfilled its obligation to the general public.⁵⁵ His overriding interest in researching various companies is to determine whether they have attained their lofty financial status through accounting gimmickry. No claim is made by Briloff that the stock of the company in question had been overvalued by the market. He does offer the opinion that the market may have "misinterpreted" the financial information made public by the company. This, in essence, conveys the fact that Briloff does consider the stock of the company to be overvalued.⁵⁶

Several questions accompanied the conclusion of this research. Was Briloff's analysis of various companies and industries so much superior to all the other analysts or

⁵³ *Ibid.*, p. 55.

⁵⁴ *Ibid.*, pp. 51-52.

⁵⁵ Foster, "Rambo IX: Briloff and the Capital Market," *Journal of Accounting, Auditing and Finance*, p. 429.

⁵⁶ Desai and Jain, "Long-Run Stock Returns Following Briloff's Analyses," *Financial Analysts Journal*, March/April 2004, p. 49.

were there other factors at play that would affect the price of the various stocks? If other factors were at play, should not the stock price then bounce back in the long run and negate the previous effects of Briloff's articles on the market value of the stock? What were some of the factors that may have been affecting the market value of the stock of these companies?

Foster listed several possible reasons why the market may have reacted to the Briloff articles in a negative way. One explanation was the "self-fulfilling prophecy." Since some of Briloff's articles had resulted in a negative reaction of the market towards the company or industry mentioned in articles previously published in *Barron's*, investors would expect the same reaction to happen to the company or industry that was the subject of the current article. The problem with this explanation is it cannot explain what caused the market to react as it did (stock price drops) for the first few articles that Briloff wrote and *Barron's* published.⁵⁷

Another explanation provided by Foster was "speculation." Because of the market reaction from previous Briloff articles, some investors may dispose of their shares of stock in the corporation mentioned in the current article expecting others to react negatively as they had done in the past. These investors perceive that the Briloff article contains no additional information that would affect the price of the stock but have determined that other investors would react to the article the same way that they have in the past.⁵⁸

Beaver stated that because of the criticisms that Briloff made in his articles relating to generally accepted accounting principles and auditors, the market may have

⁵⁷ Foster, "Rambo IX: Briloff and the Capital Market," *Journal of Accounting, Auditing and Finance*, p. 422.

⁵⁸ *Ibid.*, p. 422.

determined that the continued exposure by Briloff of accounting problems and ploys will move the government to step in and take over the authority to set accounting and auditing standards.⁵⁹

These challenges and criticisms made by Briloff regarding the accountings by the various companies that became the subjects of his *Barron's* articles met with various levels of animosity from these companies. Some firms adopted the “no public response” approach to the criticisms leveled by Briloff. A major drawback to this kind of approach is that the investing public most likely would be of the opinion that Briloff was accurate in his assessment of the company’s financial statements. This approach also does not imply that the companies in question did not take seriously the accusations made by Briloff regarding his claims of accounting manipulations or using the generally accepted accounting principles (GAAP) to masquerade the true financial picture of a particular company. Some firms enjoined either their internal or external auditors to examine the claims and determine if these criticisms had any merit. Other firms stated that they responded to Briloff’s articles through “telephone conversations with analysts, private meetings, and so forth.”⁶⁰

Other companies were not so complacent and fought back with attacks on *Barron's* and Briloff as the author of the articles. Many of them responded with alacrity and alarm, seeking to appeal to the public to dismiss the allegations of accounting improprieties contained in Briloff’s articles and to assure investors that their financial information was accurate. Some companies even resorted to legal remedies to redress the undeserved grievances they felt they had suffered.

⁵⁹ Beaver, *Financial Accounting: An Accounting Revolution*, pp. 141-142.

⁶⁰ *Ibid*, pp. 426-27.

Telex, a communications corporation, instituted a lawsuit in May of 1970 against

both *Barron's* and Briloff, stating that both had “deliberately and maliciously damaged Telex’s reputation in the financial community.”⁶¹ In response to this lawsuit, Briloff and Barron’s wrote and printed in the June 15, 1970 edition a “Correction and Clarification of May 11, 1970 Telex Article.” The article was entitled “Tomorrow’s Profits?: Telex Corp., Says One Accountant, Makes Too Much of Them Today.” Also printed in that edition was a letter written by Briloff acknowledging his continuous intention to “correct and clarify any assertions which may have been based on my study of the documents available as part of the public record but which, in the light of additional documents (not heretofore available, or at least not part of the public record) serve to change the earlier analysis.”⁶²

However, in his letter, Briloff did reinforce a conclusion made in his original article that “From the configurations of the data developed by us, we believe the profit differential (resulting from the alternative accounting methods) is substantial, perhaps even critical.”⁶³

Reliance Insurance, a mid-sized property-casualty company, brought suit against *Barron's* and Briloff in September of 1976 in the U.S. District Court for the Southern District of New York. Reliance, headed by Saul Steinberg whose computer leasing business, Leasco, was a favorite target of Briloff for its alleged accounting ploys, brought suit for \$37.5 million primarily due to an article written by Briloff and published in the July 19, 1976 edition of *Barron's* entitled “Whose Deep Pocket? At Reliance Group, the

⁶¹ Foster, “Rambo IX: Briloff and the Capital Market,” *Journal of Accounting, Auditing and Finance*, p. 428.

⁶² *Barron's*, “*Barron's Mailbag*,” June 15, 1970, p. 12.

⁶³ *Ibid*, p. 12.

Slogan is 'Dig We Must'."⁶⁴ Touche, Ross & Co., one of the Big Eight firms at the time and Reliance's independent public audit firm, was also included in the criticisms made by Briloff regarding the accounting practices of the company.

Briloff, in his article, alleged that a new preferred stock offering by Reliance was in the works that would increase the company's treasury by over \$40 million. However, much of this cash inflow, according to Briloff, would actually end up in the hands of its corporate parent, Reliance Group, to the detriment of Reliance Insurance, its minority stockholders and insurance policyholders.⁶⁵ Briloff was also critical of the consolidation of Reliance Insurance into the Reliance Group. This consolidation gave the appearance that all of the Insurance assets were owned by Reliance Group.

In this article, inadvertently, a sentence had the word "momentarily" included in quotation marks. Thus, Briloff became a party to the lawsuit and both he and *Barron's* were sued for libel and defamation, negligence and intentional tort.⁶⁶ Reliance demanded a retraction of what the company believed to be "false and misleading statements." None was forthcoming. Thus, the suit was instituted.

Briloff maintains: "I insisted that they sued *Barron's* for the reputation and me for the money." One outcome of the trial was that Briloff "made it damn certain that anything I put in quotations in a controversial circumstance is verified absolutely."⁶⁷

The court in its decision recognized that Briloff was "an acknowledged expert in the field of accounting" and therefore qualified to write such articles. It also stated that

⁶⁴ *Barron's*, "Reliance vs. *Barron's*: A Jurist Strikes a Blow for Freedom of the Press," September 19, 1977, p. 7.

⁶⁵ Briloff, "Whose Deep Pocket? At Reliance Group, the Slogan is 'Dig We Must,'" *Barron's*, July 19, 1976, p. 5.

⁶⁶ *Reliance Insurance Company v. Barron's* sued in the name of *Dow Jones & Company, Inc.*, et al., 428 F. Supp. 200, U.S. District Court for the Southern District of New York.

⁶⁷ Personal Interview, Abraham J. Briloff, June 20, 2005.

even though the opinions stated in the article may have been misguided, they were not written with the intention of “actual malice” towards Reliance Insurance. This was stated even though Briloff’s writing style is sometimes very acerbic and very “uncomplimentary.”⁶⁸

The judge issued a summary judgment in favor of *Barron’s* and Briloff stating that the plaintiff motion in all respects was denied and there was no basis for a trial. Judge Brieant, the trial judge, ruled that “neither Dr. Briloff nor *Barron’s* acted with such reckless disregard for the truth.” Briloff was regarded by the court as “a journalist or reporter” and was thereby protected under the First Amendment.⁶⁹ An appeal of this decision was never initiated.

One such scathing attack was made against Briloff personally in response to articles he had written about SafeCard Services, Inc., a company whose primary business was to alert credit card companies when a customer’s cards were either stolen or lost. The attack in part stated that:

Dow Jones and Barron’s have been whacking at SafeCard time-and-again since mid 1978....For those of you in the dark as to the identity of Abraham Briloff, the “Professor” is the age-old wolf in sheep’s clothing – a *Dow Jones/Barron’s* front-man in the guise of the City University of New York until “presto”...guess who... *Barron’s*.

Sadly for the “Professor,” he is legally blind and, therefore, not under any obligation it seems to determine the facts. Not that the facts matter to *Barron’s*. The “Professor” flatly proclaimed that he’s stating his “opinions.” Evidence of this is certainly overwhelming in the published story, since both the “Professor” and *Barron’s* were supplied with the true facts.

Many time past, *Barron’s* has provided the “Professor” with a soapbox from which to lecture us all. It seems that preservation of

⁶⁸ *Barron’s*, “Reliance vs. *Barron’s*: A Jurist Strikes a Blow for Freedom of the Press,” September 19, 1977, p. 7, 12.

⁶⁹ *Reliance Insurance Company v. Barron’s* sued in the name of *Dow Jones & Company, Inc.*, et al., 428 F. Supp. 200, U.S. District Court for the Southern District of New York.

the *Barron's* soapbox for the Briloff name is the “Professor’s” game. The price of preservation apparently is obligingly doing what the powers-that-be bid to be done. (SafeCard Services, Inc. press release).⁷⁰

A lawsuit was instituted by SafeCard against *Barron's* and *Dow Jones and Company* and others claiming that there existed a conspiracy to “destroy the business of SafeCard by disseminating publicly and privately misleading information.”⁷¹ Curiously, Briloff was not listed as a defendant in this lawsuit. However, in a printed reply to the lawsuit in the *Wall Street Journal*, Robert M. Bleiberg, editor and publisher of *Barron's*, labeled the lawsuit as “baseless” and stated that: “Briloff, who he called ‘an acknowledged authority in the field’ would soon be finished with an article regarding SafeCard accounting practices and that *Barron's* would soon be publishing the article.” He then went on to say: “In our view, it’s no coincidence that the suit was filed last Friday, just four days after (Mr.) Briloff, as part of his preparation for the article, met with top executives of SafeCard and their lawyer and auditor.”⁷²

In addition to companies directly affected by Briloff’s articles, major public accounting firms were not adverse to issuing press releases responding to implications by Briloff in his articles based on their relationships with the subject companies. Arthur Young declared that an article written by Briloff regarding McDonald’s Corporation accounting practices “contains inaccurate and misleading statements” and that “the author’s attack should be directed against those having the responsibility for the

⁷⁰ Ibid, pp. 427-28.

⁷¹ *Wall Street Journal*, June 30, 1981, p. 45.

⁷² *Wall Street Journal*, July 1, 1981, p. 16.

establishment of accounting principles and not, in an unfair manner, against a company which is properly following the required accounting principles.”⁷³

This was a popular rejoinder to criticisms made by Briloff throughout his career. The inference made was that Briloff was actually criticizing generally accepted accounting principles and those whose responsibility it was to issue the accounting standards themselves. All that the corporations involved in the articles were doing was following these principles and should not be held up to critical commentary because they are doing what they should.

Responding to an article concerning Kaufman & Broad, a major homebuilding company, Haskins & Sells stated the following: “We think comments in the article may cause misleading and damaging inferences by those who read it.” In addition, they further defended their actions by declaring that “nothing in the article causes us to change ... our previously expressed professional opinion on their financial statements.”⁷⁴

An unfortunate and unintended result stemming from Briloff’s articles published in *Barron’s* occurred in the financial marketplace. When a rumor swirled around in the marketplace that Briloff was writing an article about a certain company or industry, just the rumor itself was enough to affect a company or industry’s stock prices negatively. Evidence was gathered by Foster that demonstrated that, in at least four occurrences, the market reacted to speculation that Briloff had written and *Barron’s* was about to publish an article containing allegations that could be construed as detrimental to a particular company or even an industry as a whole.⁷⁵

⁷³ Foster, “Rambo IX: Briloff and the Capital Market,” *Journal of Accounting, Auditing and Finance*, p. 430.

⁷⁴ Ibid.

⁷⁵ Ibid, p. 414.

Critical of Market Action on Rumors of His Real Estate Study.” The accompanying article stated that:

Real estate stocks got hammered yesterday when a rumor circulated that yet another report was due to be issued on their sometimes controversial accounting methods
But the man said to be responsible for the report told Reuters that the flurry of selling developed over an unwarranted nervousness in the market and had nothing to do with his work in the area.
Professor Abraham Briloff, a well-known lecturer at New York’s City University, denied that the report was even ready and called the market’s reaction a sickening circumstance.
Rumors that Briloff’s report was on the way hit some of the stocks for big losses.⁷⁶

Briloff wrote two articles in the early 1970s related to accounting practices within the homebuilding industry. Particular attention was paid to the three largest companies within the industry, one of which was Kaufman & Broad. Briloff ended the first article with the following statement: “Clearly there is a compelling need for a drastic revision in the standards governing the accounting and disclosure of the financial conditions and results from operations in the homebuilding industry.”⁷⁷

On the same day that the second Briloff article relating to the accounting practices of the homebuilding industry was published, “Sunrise, Sunset”, May 14, 1973, an article appeared in the *Wall Street Journal* relating to an alleged attempt by the New York Stock Exchange to put pressure on Briloff to withdraw his upcoming article. The head of the Stock Exchange’s financial reporting operations, William Foster, contacted Briloff and

⁷⁶ Briloff, Unaccountable Accounting, 1972, Harper & Row, New York, p.223.

⁷⁷ Briloff, “Gimme Shelter,” *Barron’s*, October 25, 1971, p.14.

asked for an advance copy of his forthcoming homebuilding industry article. Briloff refused, stating: “I will not permit anticipatory censorship by anybody.”⁷⁸

Briloff was approached a second time by Foster who stated he was calling at the behest of a Board vice-president and head of the stock list department, Merle Wick. Briloff asserted in the *Journal* article that he was “expressly warned that if the article published in *Barron’s* was irresponsible, the Big Board would seek to initiate disciplinary proceedings against him before the ethics committee of the American Institute of Certified Public Accountants.” He added: “I found this an incredible communication, and I couldn’t help but see this as implicit pressure to get me to pull the article. Coming just before publication, it stunned me.”⁷⁹

Both individuals from the Stock Exchange denied that they were attempting to prevent the publication of the article. Wick stated that: “All we asked is to see the article.” Why would he not want to wait until *Barron’s* came out in print just a day or two later? The opinion of at least one author was that Mr. Wick did indeed intend to prevent the article from being published. With tongue in cheek, he stated that: “Whatever else he may be, Abraham Briloff ... is assuredly a troublemaker.”⁸⁰ They were reacting to a complaint from Kaufman & Broad officials that Briloff was publishing an “unfair” article about the company. Also, the Exchange was concerned about “a yo-yo effect” on the stock price of Kaufman’s since the previous week the *Journal* had published a favorable article relating to Kaufman & Broad. There was concern within the Exchange that

⁷⁸ Briloff, Abraham J. More Debits Than Credits: The Burnt Investor’s Guide to Financial Statements, p. 387.

⁷⁹ Sansweet and Dorfman, “Kaufman-Broad Checking Possible Rigging of Mortgage Requests, Sees Slight Impact,” *Wall Street Journal*, May 14, 1973, p. ???

⁸⁰ Cedar, Len, “NYSE Censorship Attempt: Briloff the Troublemaker”, *Commercial and Financial Chronicle*, 1973, p. 67.

Briloff's article would have a negative effect on the price of Kaufman & Broad's stock price.⁸¹

Another instance of the effect that a rumor of a Briloff article had on the market price of a corporation's stocks occurred in January 24, 1980 when Hayden Stone, a Wall Street brokerage house passed along a notice to their account executives with a stipulation that it was "For Internal Use Only." This memorandum contained the following: "Price of the (Gelco) stock has been down for the past several days because of a rumor that *Barron's* Dr. Briloff could be writing on the company. We do not know if the rumor is correct or what the thrust of the article could be."⁸²

What made Briloff's analysis so unique was that he used publicly available information such as published financial reports, SEC documents, company press releases and other similar reports. The access he had to this information was not any more privileged or special than any other analyst or, in fact, any other investor would have. So, the question posed is why were not other analysts coming up with the same conclusions and writing about the same accounting gimmicks perpetrated by the various companies or industries of which Briloff wrote?

The results of these three studies, Foster (1979), Foster (1987) and Desai and Jain (2004) have all confirmed the negative reaction experienced by corporations mentioned in Briloff's articles that have appeared in *Barron's*. These corporations averaged a significant 8.11 percent average reduction in their stock prices the day after the article was published in *Barron's*. The authors even speculate that the drop may have been even greater since several stocks were the victims of rumors of Briloff articles before they

⁸¹ Ibid, p.

⁸² Briloff, Abraham J., The Truth About Corporate Accounting, 1981, Harper & Row, New York, p. 111

were even in print and their stock prices had already started to fall.⁸³ Desai et Jain even concluded that the market continued to digest the information obtained from the Briloff articles for at least one full year and they even estimated that this information processing continued for up to two years.⁸⁴

Since the stock of companies mentioned in Briloff's articles achieved such a comparatively large "abnormal" return, the effect of Briloff's articles on these stocks was determined to be much greater than an ordinary sell recommendation by a brokerage firm. How was this accomplished since most of the subjects of Briloff's articles were large companies who would not normally have such relatively large stock price adjustments? These large companies are analyzed by a significant number of analysts and would not be prone to such stock activity. Much financial and nonfinancial information is publicly available regarding these companies and there is a miniscule chance that a particular analyst would discover information about a company that other such analysts would not be aware. This makes Briloff's analyses that much more remarkable.⁸⁵

Desai and Jain have put forth three "noticeable differences" between Briloff and other financial analysts. First, Briloff had no ties to any investment banking firms and his articles were published by a business magazine with no apparent relationship to any of these firms. The compensation he received for these articles was hardly enough to cover his expenses for the work performed by his assistants.⁸⁶

Secondly, his analytical skills are remarkable and he is a noted accounting writer.

Keane brought forth the postulate that Briloff's analyses are "exceptionally

⁸³ Ibid, p. 430.

⁸⁴ Desai and Jain, "Long-Run Stock Returns Following Briloff's Analyses," *Financial Analysts Journal*, March/April 2004, p. 51.

⁸⁵ Ibid, p. 52.

⁸⁶ Ibid, p.52.

sophisticated.”⁸⁷ His stature in the profession is notable and he is well regarded by many in both the academic and practitioner segments of accounting.

Lastly, financial analysts for the most part study a significant number of businesses and must issue reports and recommendations on these companies on a regular basis. They did not have the luxury of issuing recommendations only when they were “highly confident in their analyses.” Briloff had no such responsibility and duty. He could afford to write articles about companies where he felt secure in his analyses.⁸⁸

Most likely, Briloff was not the reason the market reacted in a negative way regarding the stock prices of these companies. His articles initiated a relook by the market at these companies and the prices of their stocks. Assuredly, sooner or later, some other analyst would have come to the same conclusions as did Briloff. The fact remains that Briloff did accelerate this stock price movement.⁸⁹

Desai and Jain had questioned Briloff regarding his *modus operandi* regarding the writing of his articles and his response was that “many years of hard work had given him a sixth sense in analyzing financial statements.” They arrived at the conclusion that Briloff was more astute when it came to recognizing certain companies’ forthcoming market declines. His overriding concern was to determine whether any of these corporations had achieved their lofty financial results through padding their statements. Briloff’s talent in this regard lies in the fact that he is able to take various parts of the public financial information of a company and turn it into an organized, understandable summary of their financial condition.⁹⁰

⁸⁷ Keane, *Stock Market Efficiency: Theory, Evidence and Implications*, p. 72.

⁸⁸ Ibid, p.54.

⁸⁹ Ibid, p.51.

⁹⁰ Ibid, p. 54.

Roll of Dishonor

The beginning of the 1970s found Briloff starting to publicize his infamous “Roll of Dishonor.” Contained within this listing were the names of companies from A to Z which had gained public notoriety in their financial reporting. Briloff attributed these corporations in furthering the “credibility gap” which existed between the profession and the public in general. He further chastised the accounting profession, especially the Big Eight public accounting firms, for being complicit with these corporations in their reporting of the corporation’s financial information.⁹¹

Briloff Loses His Sight

Around 1966, shortly after receiving his doctorate, Briloff noticed a problem with his eyesight on a plane trip from Washington, DC to New York. He immediately consulted an ophthalmologist and was diagnosed with glaucoma. Medication kept the problem in check until the late 1970s.

Then, I knew I had to give up driving and bicycle riding because I could no longer distinguish curbs from roadways. But then, it went on to exacerbate the situation. The left eye developed problems with the cornea despite three cornea grafts. The eye is essentially opaque. The right eye was gone even before then, but I can see fingers. I can see movement with my left eye off in the extreme. I can see light fortunately.⁹²

This would have affected a lesser man, but Briloff was able to accept this situation and make the best of it. He continued to teach, write articles in professional journals, and make speeches to various groups around the country. However, he did

⁹¹ Briloff, *The Truth About Corporate Accounting*, p. 10-11.

⁹² Personal Interview, Abraham J. Briloff, June 20, 2005.

require the assistance of “readers, students and members of his family” to find research materials for him and transcribe his thoughts on paper.⁹³

This infirmity was not a hindrance relating to his research or his writing. In fact, Philip Piaker, friend and former student of Briloff and a Distinguished Service Professor of Accounting at Binghamton University in New York, used to tell the story of how he was sharing the stage with Briloff and asked him “How is your vision?” Briloff replied: “My sight remains bad, but my vision is as good as ever.”⁹⁴

Reaction to Briloff’s Teaching, Articles and Speeches

As could have been expected, not everyone within the accounting community reacted favorably to Briloff’s charges and accusations of accounting improprieties. The Accounting Establishment, which Briloff constantly found fault with, and, particularly, the Big Eight firms, responded to and rejected many of his statements. Some simply ignored him; others issued statements demonstrating where Briloff was incorrect or inconsistent in his thinking; still others were vehement in their denials and resorted to countercharges and attacks on Briloff’s character. Discussions and forums in which Briloff was scheduled to appear brought forth cancellations of others not wanting to be on the same stage as him. Funding or financial support was withheld from other events by the Big Eight in protest of Briloff being invited to speak.⁹⁵

Briloff recalled one such episode where he was scheduled to be a member of a panel that included some representatives of the Big Eight firms. When it was realized that Briloff was going to be on the panel also, they would not accept the invitation to join the

⁹³ Sikka et al., “The Mountains Are Still There: Accounting Academics and the Bearings of Intellectuals,” *Accounting, Auditing and Accountability*, 1995, Vol. 8, No. 3, pp. 120-121.

⁹⁴ Piaker, “Abraham Briloff’s Vision,”

⁹⁵ Personal Interview, Tony Tinker, April 27, 2006.

panel discussion. Briloff went to a store, Childcraft, in New York City and purchased eight miniature chairs. He set those chairs out on the stage and appeared to be speaking to them and not the audience. When his presentation was finished, several people in the audience approached Briloff and asked if they could have one of the chairs as a souvenir.⁹⁶

Sikka *et al* relate the story of when Briloff was scheduled to speak before the Executive Enterprises, Inc. in New York City on March 3, 1995. The title of the speech was “Evaluating Life and Health Insurance Companies.” Briloff had recently spoke out against and written an article that was published in *Barron’s* attacking the accounting practices of Conseco Inc., an insurance, investment and lending company. Shortly before the conference was scheduled, the president of Conseco, Inc. contacted the organizers of the conference in a letter and stated that:

We are concerned that one of the scheduled speakers at your above referenced seminar for Friday, March 3, 1995, Professor Abraham Briloff, intends to make a presentation regarding the accounting Practices of our company. As we have discussed with your Program Director ... Professor Briloff has engaged several times over the past three years in making caustic, personal attacks on Conseco and its executive officers. *While he purports to have only academic interests in making these attacks, we are not convinced that academic discussion is his sole motivation.* ... we believe the Professor’s remarks made at your seminar would constitute “commercial speech” and therefore, would be judged under a different set of standards than, perhaps, remarks made in a newspaper or classroom. We think at the least it would be unwise, and at the most perhaps subject Executive Enterprises to potential liability, to permit Professor Briloff to engage in his campaign to defame Conseco from the dais at your seminar. *In short, we suggest that you either instruct Professor Briloff to delete from his*

⁹⁶ Personal Interview, Abraham J. Briloff, June 21, 2005.

presentation all references to Conseco and any material which could be directly connected to Conseco, or eliminate him from the faculty of the seminar (emphasis supplied by the authors).⁹⁷

Abelson, calling Briloff an “old comrade-in-arms” and a regular contributor to *Barron’s* with his “Up and Down Wall Street” column, picked up the story in the February 20, 1995 column, reported that: “The sponsors got scared and asked him to not say anything bad about Conseco, which is the same as asking him not to say anything at all about Conseco. Abe being Abe, he predictably told them to shove it.”⁹⁸ Briloff did deliver his speech.

One of Briloff’s favorite targets of criticism was and still is the large public accounting firms. Euphemistically once called the Big Eight, then the Big Six, still later the Big Five, and currently the Big Four, these large professional accounting firms according to Briloff exercise considerable influence over the Accounting Establishment and the issuance of generally accepted accounting principles. Briloff stated that these firms had lost their independence in their quest for higher revenues and expansion into various other types of services for their clients.

These firms did not take kindly to the accusations and criticisms leveled against them by Briloff, probably the most vocal of all their critics. Briloff is viewed in their circles as a “man with a worn-out message” and they present sophisticated and professional answers to all of his charges, as only a large company can do. Individuals within these firms sometimes take a more personal response to Briloff and his criticisms. They attempt to disparage Briloff and his message by making attacks on his person.

⁹⁷ Sikka et al, “The Mountains are still there: Accounting Academics and the Bearings of Intellectuals,” p. 123.

⁹⁸ Abelson, “Up and Down Wall Street,” *Barron’s*, p. 4.

Some partners of these large public accounting firms view Briloff as a “guerilla warrior.” Some various remarks regarding the aging professor have been that “Briloff is extreme – he’s an extremist,” “Briloff’s major impact has been to erode the confidence in financial reporting,” “Briloff’s an old record. No, a broken record. His message emerged in the late sixties and it’s remained the same since. He’s still saying the same things, but it’s no longer new. The press doesn’t talk to him anymore.”⁹⁹ Briloff responded by taking the higher ground and stated that: “If they say I play the old tunes, then morality, truth, and virtue are out of style, because these are the tunes I play. The tunes are as old as the Old Testament.”¹⁰⁰

Testimony before Congressional Committees

Briloff was invited many times to testify before Congressional committees during the seventies, eighties and nineties on topics relating to the accounting profession and its perceived problems. During the 1970s, he testified before the two main committees dealing with the accounting profession, the Moss Committee and the Metcalf Committee. In fact, he was the only CPA who was asked to speak in front of the Moss Committee. Predictably, this was not viewed very favorably by the accounting establishment. The accounting leadership objected strenuously because they had not been given an opportunity to testify and, particularly, were incensed by the unfavorable testimony of Briloff.¹⁰¹ Briloff was a favorite of several members of Congress since his views were

⁹⁹ Stevens, *The Big Eight*, p. 206.

¹⁰⁰ *Ibid*, p.206.

¹⁰¹ Olson, Wallace E., *The Accounting Profession: Years of Trial – 1969-1980*, 1982, American Institute of Certified Public Accountants, New York City, p. 37-38.

very close to these Congressmen. The committees welcomed his advice and counsel and were very interested in what he had to say.¹⁰²

Briloff's testimony usually put him at odds with the Accounting Establishment and, particularly the largest accounting firms. One such instance was when he was testifying before Subcommittee on Reports, Accounting and Management of the U.S. Senate's Committee on Governmental Affairs (commonly known as the Metcalf Committee) which was then investigating what became known as "The Accounting Establishment." In response to his testimony before the subcommittee, Professor Robert Anthony entered into the subcommittee's recordings a 22-page document, the majority of which was a personal attack against Briloff. Committee Chairman Senator Lee Metcalf, at the behest of the entire committee, asked Anthony to rescind the majority of his statement as being irrelevant to the committee's hearings and purpose. Contained in his statement was the following regarding Briloff:

He is the kind who uses ... cases as vehicles for calling attention to himself. He is no(t) much concerned with reporting the facts accurately. He shouts. He devises cute phrases. He uses irrelevancies, distortions, non sequiturs, exaggerations and any other device that will help attract an audience. His suggestions for change are superficial and simplistic; indeed, he doesn't really care whether change occurs or not. He takes a tone of moral superiority; a lonely battle against the entrenched forces of evil. His aim is to achieve personal notoriety.¹⁰³

Chapter 6 will contain a more in-depth analysis of all his testimony before Congressional committees.

¹⁰² Personal Interview, Tony Tinker, April 27, 2006

¹⁰³ Briloff, "By Whom and How Should Accounting Standards Be Set?," Debate between Professors Abraham J. Briloff and Robert N. Anthony, an Emanuel Saxe Distinguished Lecture, 1977.

Reader Reaction to *Barron's* Articles

His many articles published in *Barron's* caused many readers to write letters to the editor of *Barron's* either in support of or contrary to Briloff's views. Several officers of corporations, i.e., Leasco, Waste Management, Perfect Film & Chemical Corp., Allwaste, and Lone Star Industries, which were the subject of his articles, were moved to respond in opposition to Briloff and his charges. Even the managing partner of Arthur Andersen, perhaps encouraged by their client, was moved to write a rebuttal to an article written by Briloff concerning Waste Management. Some letters from a few corporations even brought out a response and a refutation from Briloff.

Not all of these letters to the editor of *Barron's* were critical of Briloff and his viewpoints. Many letters expressed support for Briloff and his crusade to improve the accountability of accounting professionals to the general public. Examples of some of the comments of support for Briloff's works are the following: "I sincerely hope he will continue to carry the torch for more honest accounting principles and that you will continue publishing his articles,"¹⁰⁴ "All statements by Professor A. J. Briloff are stimulating,"¹⁰⁵ "Certainly, Mr. Briloff deserves high praise for his forthright comments and his evident integrity. It is a refreshing evidence of better things to come in corporate reporting,"¹⁰⁶ "Your courage in publishing brilliantly critical articles such as Dr. Briloff's on McDonald's deserves the everlasting gratitude of all investors concerned with making the system work honestly. Give us more of Briloff and his analytical skill,"¹⁰⁷ "Thanks to Abraham J. Briloff ("Pooling and Fooling," October 23) for attacking the accounting deceit by some of our major companies. ... Then again, Abe has cri

¹⁰⁴ *Barron's*, "Barron's Mailbag," January 8, 1973, p.7.

¹⁰⁵ *Barron's*, "Barron's Mailbag," May 3, 1976, p.7.

¹⁰⁶ *Barron's*, "Barron's Mailbag," May 10, 1976, p.7.

¹⁰⁷ *Barron's*, "Barron's Mailbag," July 29, 1974, p.7.

out for 32 years, and things are even worse now with option manipulation, stock-market gambling, etc., by publicly owned companies.”¹⁰⁸ As can be determined from the previous paragraphs, not many people associated with the accounting profession were ambivalent toward Briloff and his viewpoints.

Many of Briloff’s students still hold their former professor in high regard. Some have even gone so far as to bestow honors on him. One former student, Charles Dreifus, has contributed funds to establish The Abraham J. Briloff Prizes in Ethics at Baruch College, a senior college of the City University of New York. The purpose of these prizes is to stimulate scholarship in the field of ethics. Faculty and student prizes are awarded each year.

"You are, like so many important intellectuals, ahead of your time," Spitzer told Abraham J. Briloff, the renowned professor of accounting in whose honor the lecture series was named. "Your focus on ethics in accounting and your focus on ethics in business have been brought into focus in the past few years as we have all suffered from the absence of the very ethics that you focused upon in your teaching."¹⁰⁹

Briloff vs. Colleagues

Briloff was never hesitant about criticizing others in the profession with whom he had a serious disagreement. He also attacked those he felt had assumed a leadership position in the profession that was undeserved. Marshall Armstrong, president of the AICPA from 1970-1971 and the first chairman of the Financial Accounting Standards Board, was one target of Briloff’s disappointment. Briloff stated that Armstrong: “...had

¹⁰⁸ *Barron’s*, “*Barron’s* Mailbag,” November 13, 2000, p.56.

¹⁰⁹ <http://www.bupipedream.com/103103/news/n2pf.htm>

a tendency, in his year as president of the AICPA, to come down squarely on both sides of the issue.”¹¹⁰

This finger-pointing was by no means one-sided. During the period when Armstrong assumed the presidency of the American Institute of Certified Public Accountants, he stated his disappointment with those within the profession who criticized and found fault and expressed their approbation publicly. Armstrong took issue with the “vocal minority of our own professional family – those who enjoy stirring the waters with criticism but who fail to make full disclosure of the real progress we are making in establishing accounting principles and financial reporting standards.”¹¹¹ Briloff was most likely at the top of this group.

One prominent member of the profession was particularly singled out for a heaping portion of Briloff’s wrath. Maurice Stans, Secretary of Commerce under the Nixon administration until in 1972 he resigned his position to become chairman of the Finance Committee for Nixon’s reelection campaign. He became involved with the fallout from Watergate and, although he was never convicted of any role in the Watergate cover-up or misdeeds, Briloff felt that he had clearly besmirched the profession and should be dealt with by the Ethics Board. More than once he accused Stans of bringing more harm to the accounting profession than many of the individuals who had been found guilty of ethics violations by the Board.

There is little question but that the accounting profession (to say nothing of society in general) has suffered far more grievously from the high misdemeanors of the profession’s most honored member, Maurice H. Stans, than from the misdeeds of the

¹¹⁰ Briloff, Abraham J., Unaccountable Accounting, 1972, Harper & Row, New York City, p. 72.

¹¹¹ Chatov, Robert, Corporate Financial Reporting: Public or Private Control?, 1975, Macmillan Publishing Co., New York City, pp. 228.

“confirmed crooks” who embezzled their clients’ funds, or filed false tax returns, or bribed revenue agents.¹¹²

Briloff went so far as to file a complaint with the Ethics Board of the AICPA against Stans for the alleged damage to the profession Briloff considered Stans perpetrated based on his actions relating to financial activities associated with Nixon’s reelection campaign. The Ethics Board agreed to hold a hearing on charges that Stans engaged in “conduct disreputable to the profession”. Stans writes “The hearing lasted a full day and ended when the Board, after only fifteen minutes of deliberation, acquitted me by unanimous vote on all counts.”¹¹³ In the January 1976 *CPA Letter*, it states that ““AICPA member Maurice H. Stans, former Secretary of Commerce, has been found by a sub board of the Trial Board of the AICPA to be not guilty of charges brought by the AICPA’s division of professional ethics.”

Stans knew that Briloff instigated these charges against him. He called Briloff a “renegade CPA” and a “bombastic professor at New York University [sic] who made unounded [sic] public assertions against me from 1973 to 1975 while knowing little of the circumstances.”¹¹⁴ Briloff retorted that he considered the epithet “renegade” labeled him by Stans to be somewhat of a badge of honor.¹¹⁵

Briloff always advocated public debates on important topics related to accounting in which there was disagreement between him and others in the profession. He was involved on two occasions in public debates with another member of accounting academia over various issues. Briloff and Professor Lee J. Seidler participated in a debate

¹¹² Briloff, Abraham J., “The Corporate Society: We Are *In Pari Delicto*”, Spring 1976, *The Journal of Corporation Law*, Vol. 1, No. 3, p. 516.

¹¹³ Stans, Maurice H., The Terrors of Justice, 1978, Everest House Publishers, New York, p. 384.

¹¹⁴ *Ibid*, p. 383.

¹¹⁵ Briloff, Abraham J., The Truth About Corporate Accounting, 1981, Harper & Row, New York, p. 17.

over various accounting issues at New York University's 21st Annual Dean's Day

Alumni Reunion on December 4, 1971. Briloff stated the fact that he had serious disagreements with Seidler relating to a number of accounting issues.¹¹⁶ They later had another disagreement over the accountings of SafeCard Services, Inc. after Briloff had written an article criticizing the company's financial statements. Seidler wrote a critique in answer to Briloff's accusations that was published by Bear, Stearns & Co.¹¹⁷

Briloff also engaged in a public debate with Professor Robert Anthony, a renowned accountant from Harvard University on February 27, 1978 as part of an Emanuel Saxe Distinguished Lecture. The topic was the testimony Briloff gave before the Metcalf Committee critical of the standard-setting (FASB) within the accounting profession. Anthony, on the other hand, supported FASB and its standard-setting process. Briloff was particularly incensed because of some of the terminology used by Anthony in criticizing Briloff.¹¹⁸

The Language of Briloff

Briloff is almost as well known for the manner in which he delivered his message, whether it be orally or written, as he was for the message itself. His delivery has been characterized as "acerbic,"¹¹⁹ "biting,"¹²⁰ "virulent,"¹²¹ and "snide."¹²² Herman W. Bevis, senior partner of PriceWaterhouse and a former member of the Accounting Principles

¹¹⁶ Personal interview with Abraham J. Briloff, Great Neck, NY, June 21, 2005.

¹¹⁷ *Barron's*, "Briloff vs. Seidler: They Clash Over SafeCard's Accounting", December 14, 1981, p. 11.

¹¹⁸ "By Whom and How Should Accounting Principles Be Set", A Debate Between Abraham J. Briloff and Robert N. Anthony for an Emanuel Saxe Distinguished Lecture, http://www.newman.baruch.cuny.edu/digital/saxe_1977/briloff_78.htm.

¹¹⁹ Ketz, J. Edward and Paul B. W. Miller, "Happy Anniversary, Abe!", November 24/December 14, 1997, *Accounting Today*, Vol. 11, Iss. 21, p. 14.

¹²⁰ *Ibid*, p. 14.

¹²¹ Cullather, "The Prose of Abraham Briloff," *Business Horizons*, p. 65.

¹²² *Reliance Insurance Company v. Barron's* sued in the name of *Dow Jones & Company, Inc.*, et al., 442 F. Supp. 1341, U.S. District Court for the Southern District of New York, September 14, 1977.

Board wrote in a letter to the *New York Certified Public Accountant* that Briloff's

"...expository technique is clever. Too clever."¹²³

Liberally mixed into his speeches and writings are references to the Bible, foreign phrases, the classics, current events and a little sexuality. While it might make the reader seek out a dictionary or reference text, it does add to the enjoyment of reading or listening to his message. That is, if the reader was not the target of Briloff's wrath. As many in the profession who agreed with Briloff and were amused at his turn of a phrase to describe an alleged wrongdoing, there were others who were angered and more by his sometimes flippant use of phrases and insinuations.

Cullather stated that the tumultuous decade of the seventies for the accounting profession was aided by the pressure brought to bear on the profession by the persistent critical commentaries of Briloff. "Surely, no one else in the history of accounting has written or spoken as he has."¹²⁴ In addition, Steven S. Anreder wrote about Briloff's language in 1976 that Briloff

...has had a greater impact on accounting principles and practices in the past decade than any other individual." If this is true (or even a somewhat exaggerated) appraisal, how great a factor was Briloff's prose? If the language itself did not give him the floor, it certainly helped him hold it and expanded his audience. And it was that breadth which helped make the market sensitive even to the rumors of his writings.¹²⁵

An example used to demonstrate Briloff's use of a phrase to add humor and poke fun at certain individuals or organizations has to deal with the APB. The Accounting Principles Board was a favorite target of Briloff. In various writings or speeches, he

¹²³ Cullather, "The Prose of Abraham Briloff," *Business Horizons*, p. 62.

¹²⁴ *Ibid*, p. 62.

¹²⁵ *Ibid*, p. 62.

referred to the standard-setting body as the “Accounting Procrastination Board,” the “Anti-Pollution Board,” and the “Assiduous Plumbing Board.”¹²⁶

In testimony before Congress, Briloff referred to the Bible to emphasize the point that the accounting establishment ethics board dispensed with punishment in an uneven fashion, he said that board was comprised of “those who strained at a gnat while swallowing camels.”¹²⁷

Finally, Briloff in his writing attempts to state a motto or a law: “Yet it has long been my thesis – it almost can be put down as a law – that wherever ants swarm, the pot not only will contain a bit of honey, but also will be filled with accounting ploys.”¹²⁸

Retirement

Even today, Briloff, who will turn 90 on July 19, 2007, remains extremely passionate about accounting, his love for the profession and how corporate management and, especially, accountants need to be accountable to all users of financial statements. When Briloff is questioned about what is wrong with the accounting profession and how it can become great once again, he becomes extremely animated. He sits up straight, arms flailing in space, voice level increasing dramatically. One can tell immediately that this is someone who truly enjoys his life’s work and considers his chosen profession a noble calling.

He remains active and involved in what is happening in the accounting profession and is still writing articles pointing out the accounting misdeeds of various corporations.

¹²⁶ Briloff, Abraham J., Unaccountable Accounting, 1972, Harper & Row, New York City, p. 321-323.

¹²⁷ Briloff, Abraham J., “Who Are We? Why Are We Here?”, July 21, 1993, AICPA copy of Briloff’s Testimony Before The Securities Subcommittee of the Committee on Banking, Housing and Urban Affairs of the United States Senate, Washington, DC, p. E1-E2.

¹²⁸ Briloff, Abraham J., “You Deserve A Break ... McDonald’s Burgers Are More Palatable Than Its Accounts,” *Barron’s*, July 8, 1974, p. 3.

In fact, Briloff has just written an article referring to what he believes are accounting irregularities relating to Google. He keeps up with his flower gardens around his home, one of his lifelong passions. He takes calls from former students and colleagues asking for guidance, soliciting information from him or suggesting a possible topic for another Briloff article.

Sadly, Briloff's wife of over sixty years, Edith, passed away early in 2006 after an illness. He is now taken care of by his two daughters and Monica, a nurse and aide, who has been with Briloff for several years. His daughter, Leonore, maintains his private accounting practice in New York City. He recently attended the 2006 American Accounting Association Annual Meeting at the behest of a long-time friend, Floyd Norris. Norris delivered the Tuesday luncheon speech which he titled "Where Is The Next Abe Briloff?"

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