THE USE OF HISTORICAL DATA IN ACCOUNTING RESEARCH: THE CASE OF THE AMERICAN SUGAR REFINING COMPANY

Abstract: In 1908, the American Sugar Refining Company (ASR) reversed its long-held policy of secrecy as to its financial condition and performance. Prior work, applying contemporary capital market methods to ASR security price data of that period, has suggested a value to ASR shareholders of this policy reversal. This paper examines the historical record of that time and presents additional evidence on this matter, particularly in terms of identifying potentially confounding events occurring during the period under study. The results of this analysis suggest a difficulty in attributing observed abnormal returns to ASR's secrecy policy reversal on the basis of the results obtained from applying capital markets methods. This analysis is useful for scholars interested in applying modern capital market methods to historical data. It highlights the significance of the possible effects of contemporaneous historical events, focuses attention on the importance of a deep understanding of the historical period studied, and suggests a value in combining historical and empirical-markets methods to gain a richer understanding of the events and conditions in the time period under study.

The application of modern capital markets methods to explore accounting issues in historical time periods has attracted increased interest in recent years. One such study, Porter et al, (1995) (hereafter PSW) examine the effects of American Sugar Refining's (ASR's) 1908 reversal of a financial secrecy policy to determine the value of voluntary disclosure per se and voluntary disclosure policy. They find in part,