

INCURSIONS ON THE DEVELOPMENT OF ACCOUNTING FROM THE ANCIENT TO THE CONTEMPORARY PERIOD

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Abstract:

This paper aims, firstly, awareness regarding the discussion items on the accounting origin, in space and time, in single entry and double-entry and the central influence of the of the ancient, classical and modern age on the economy and on the accounting methods development, that are the result of the "economic thinking rationality".

In the second part of the paper, for a better understanding of the accounting evolution, we realized a division of this process in stages from which it results that the art of accounting develops over the years and decades after the middle ages, followed by the period of the commercial arithmetic birth and the double-entry accounting, followed by a period in which the accounting begins to deal with theoretical issues and to amplify its own research area, to finally become one of the main functions of the enterprise economy.

Regarding the process of shaping the group of facts and category of phenomena, that the accountancy will take into account, we can state that three major periods can be established, namely: the first period is until the first printed paper "Arithmetica, Geometria, Proportioni et Proportionalitas" by Luca Pacioli; the second period ends until the appearance, in 1795, of Edmond Degrange's work - "La tenue des livres rendue facile"; and the next period, the third, lasts until nowadays.

Key words: accounting art, account records, modern times, double-entry, accounting evolution

JEL classification: M41

1. INTRODUCTION

As a profession, accounting has been recently recognized, but we cannot tell precisely from which date or where the exact origin of accounting dates back, so research and historical discovery can be the main empty-filling exercise. Today accounting is the discipline that studies and puts into practice the recognition, representation and interpretation of all the transactions, operations and events of an enterprise and is, therefore, the theoretical and applicative subject, but for several centuries it had limited significance, summing up to "records/account records".

Through this work, we aim to bring to the foreground the meaning of the accounting concept by identifying homogeneous periods (the ancient age, the classical age, the modern age and the contemporary era), appreciating the progress of this concept from one period to another.

Referring to the ancient period - a period parallel to Babylon, as stated above, it is noticed that at the beginning accounting was not a separate art, but only part of a general evidence domain. A crucial role at that time had the "scribes" - Egypt, "logistics" - Greece, "rationarius" - Italy, who had the responsibility to inform the kings about the amount of wealth contained in the treasury, being subjected, in some cases, due to their negligence, even to the death penalty. During this period, trade is developing, especially in Egypt, as it results from the various discoveries of the ships, seals and lithic amulets.

Certainly, one of the greatest civilizations that developed interesting and advanced accounting systems was the Egyptian. Various scholars have observed and deduced the presence of accounting methods from the pre-pharaonic period [1] through various account symbols on various clay tablets, the most ancient dating from 3000 BC (Melis, 1950, p. 290). Some accountant

discoveries, characterized by pictographic writings, have been found in the lordly part of the island; these clay tablets were real "simple game accounts" referring to the inventory of various objects (Melis, 1948, p.33).

From the beginning of the old kingdom, in 2686 BC until the end of the new kingdom in 1069 BC, Egyptian civilization becomes famous for its innovations in the arithmetic and geometric field, as well as in the writing and the means used, passing from writing on clay tablets to writing on papyrus sheets. These innovative fronts have hit society and administrative structures, affecting, as well, accounting techniques. In the first administrative offices were born jobs such as writers, inspectors and treasurers; which were recording on the parchment sheets, the goods, the facts, the events and the decisions taken.

Therefore, in this epoch, from the desire to control the wealth of the population, due to the appearance of writing, greater accuracies in the accounts keeping were observed: the recording of events, transactions or facts, which have undergone a gradual improvement over the centuries, reaching to the point of including inventory and analytical stock records to the balance sheets, forecasts and systematic reporting.

The classical period (Middle Ages) is represented by a real slow decline in accounting science, but inexorably linked to the civil and commercial life, which has witnessed the development of a feudal economy, which was extremely inaccessible. Also, at the public level (the presence of feudal state), the accounting records were limited, being present only in the functions of income and expenditure control, the reporting being influenced depending on the different feudal reigns (Privitera, 2003, p. 69). However, starting with 1202 to 1492, it continues with the improvement of accounting records, this period being marked by the creation of the double-entry method.

2. TRADE DEVELOPMENT – A DETERMINANT FACTOR FOR THE ACCOUNTING TECHNIQUES DEVELOPMENT

The classic age is that long period of 2 millennium, which began with the fall of Minoan civilization and led to classical and Hellenic Greece, ending with the fall of the Western Roman Empire which gave birth to the Middle Ages. It should be emphasized, however, that war events alternating with periods of cultural expansion have pushed science and technology to constantly innovate.

Territorial expansion (and, in some cases, hegemony) played a key role in the economy and commerce, meaning that the population was forced to move quickly and safely, this led to the first road systems, which in their turn, increased the transport efficiency and, consequently, the trade. Thus, territorial expansion also had strong effects on the management and governance of territories through the development of methods and control bodies of the populations.

From ancient times to the classical period [2], the economy relied mainly on:

- Reproduction and agriculture, both of which are predominantly devoted to their own consumption, often to collective consumption; however, they generally related to subsistence savings;
- From a social point of view, it was important to collect metals and raw materials, being necessary for making objects for daily use, military weapons, building houses and other things;
- In terms of trade, it was mainly based on the exchange of merchandise, materials, metals, lumber and slaves.

Trade played a crucial role in the economic life of that time. With such a geographical position, the ancients were interested, above all, in matters of philosophical character, such as justice and fairness of activities. A combination of favorable geographic features has contributed to the success of ancient Egyptian culture, the most important of which is the fertile soil resulting from annual outflows of the Nile River. Thus, the ancient Egyptians managed to produce abundant food, allowing the population to devote more of their time and resources to cultural, technological and

artistic activities (Akinyemi, et al., 2015, p. 16).

A first theory explaining the reasons for some proportions in the exchange of commodities and coins began when societies, exponentially, expanded their trade, therefore a primary division of labor and tasks took place. Commerce was no longer limited to those who had goods that were valuable to each other, but people could benefit from the fruits of many other types of work. With the increase in global trade, and the trading on a much larger scale with different companies, there has been a need for more detailed records in the sense of not endangering the company's activity.

We can say that economic thinking and theories have only begun to form when labor and production have acquired a "social character", meaning that products increase their value only if they are connected and coherent with the work of others, and where the relationships between people and the allocation of system resources is determined by exchanges and pricing.

Society development was one of the key points that led to the birth of the economy; economic development has always been closely linked to social development and vice versa. That is why we should not be surprised how the term economy [3] and the first economic thoughts were born in classical Greece. Once with the end of the Peloponnesian War and the imposition of Spartans, Greek civilization entered a period of unprecedented social and cultural growth, marked by an increasing number of philosophers whose works and ideologies came to us.

The preoccupation to manage the production of goods, which, at that time, was of private character, came from the Greek thinkers Hesiodo and Senofonte (430 - 355 BC). Hesiod has developed the concept of efficiency by applying it in the familiar field. Senofonte, however, in his work "Economic", extended it to the social level, giving birth to the first thoughts on the division of labor, later reproduced by Democritus.

Fibonacci, introducing Indian numbering in 1202, was the first to deal with arithmetic applied to trade, so much so that he could be defined as a precursor to modern methods of mercantile calculation. Numerous mercantile arithmetic works were published after him, and the abacus schools flourished again. Due to commercial development, in some cities - such as Venice, Genoa and Florence – the mercantile practice has grown considerably.

Accounting opts for its own maturing path that will lead to the birth of the double-entry.

3. THE ORIGIN OF ACCOUNTING AS SCIENCE AND SCIENTIFIC REASONING

As discussed above, accounting is as old as the exchange (either barter or money) that has gradually developed with the civilization. The oldest written records, including the scriptures, contain references to what is now called accounting. In Roman civilization, accounting has developed and improved primarily in the private sphere, and then has been emulated and spread in public administration. In addition to the General Ledger and the diary of Roman traders, especially bankers, they kept records in the timetable journal, such as "Kalendarium", where the value of all payments and interest on the borrowed capital were scrupulously recorded.

Regarding the qualitative "leaps" of the accounting historic concept, it can be noticed that the first two phases are characterized by manifestations of accounts records and studying the main accounting rules, followed by the accounting ennoblement at the rank of sciences, finally to develop and become one of the main functions of the enterprise economy.

For a better understanding of accounting evolution we have achieved a division of this process in stages, characterizing each period according to the role and content of this discipline (see **Figure 1**).

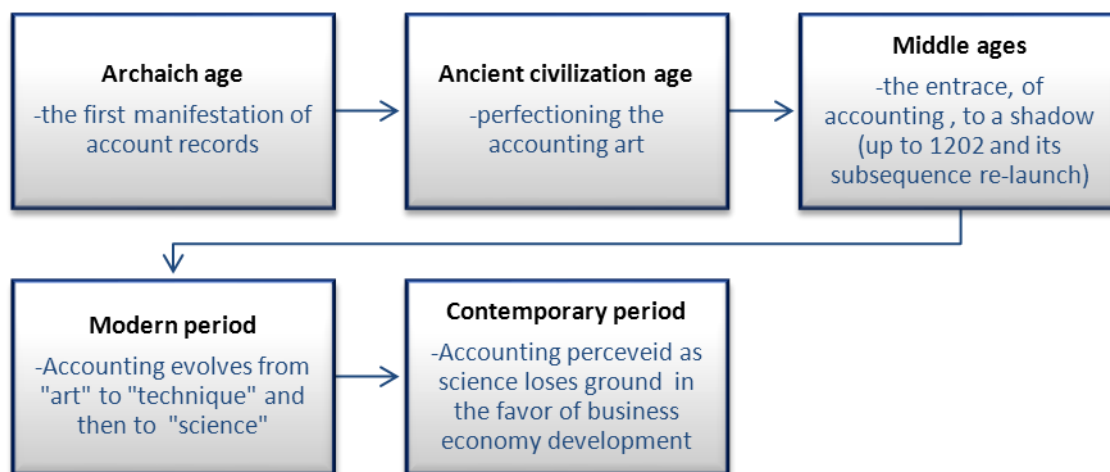


Figure no. 1. The division, in stages, of the accounting evolution process depending on the role and the content of this discipline

Source: Adapted based on Masi V., *La ragioneria nell'eta moderna e contemporanea*, testo riveduto e completato da Carlo Antinori, Giuffre, Milano, 1997

After the assimilation of the Greek accounting culture, the Romans evolved and, greatly improved their accounting. Regarding the exact "paternity" of the double-entry invention, historians have not expressed univocal opinions, even if everyone agreed that it was created by the merchants of the Middle Ages, some researchers assumed that this civilization was the first who knew about the double-entry accounting method (Coronella, 2014, p. 44).

The first writer, in chronological order, who spoke for the first time about the double records was Benedetto Cotrugli in 1458 in his work entitled "L'arte di mercatura" but besides the fact that the references to accounting were extremely low, his work was published only in 1573.

That is why some historians believe that the beginning of the modern era and the transition from art to technique is due, in fact, to the Franciscan monk Luca Pacioli by publishing the work from 1494 - "Summa de Arithmetica, Geometria, Proportioni et Proportionalita".

Already in the fifteenth century we was able to find some differences between the writings of different authors, depending on the preferences, the form, the benefits and the usefulness they could get from them.

Table no. 1. Differences between the explanations of double-entry concept

Double-entry of synoptic type	Double-entry of descriptive type	Double analytical account or simple	Synthetic double-entry or with collective accounts
very thin and not very descriptive, where only the values of objects under observation appeared, in order to save time for compilation;	very detailed and meticulous in the description of management facts often in all different records, with annotation of relative documentation;	where an account is opened for each event, regardless of its type (relative to people or things, loans, movables, real estate);	in which each account tends to group the different entities and events into homogeneous or similar categories.

Source: Adapted based on Coronella, S., *Primele tratate despre intrarea dublă în afara Italiei*, în *Rivista Contabilită și Cultura aziendale*, Editura Franco Angeli, vol. XV n.2, Milano, 2015

Although Pacioli did not invent the double-entry, he was the first to describe in detail this method, already used for some time by Venetian merchants, in systematic terms, in a printed text. In the text, Pacioli first illustrated the inventory and then the provisions, how the trader's books should be kept (the Memorial - or the first book - *Giornale and Quaderno Mastro*) and the way the single business records shall be compiled, he corrected the errors in the balance sheet, he kept the records and compiled the "book balance" (a verification report in which the totals of his debt and

wealth -debit and credit, but not the balances were reported). This and the followers did not indicate "what" or "how" to debit and credit the accounts and ignore the idea of accounting exercise (financial).

It is only specified that each transaction had to be registered by entries into at least two accounts. The total amount of debits must be equal to the total value of the credit. Most transactions consist of two entries but may have three or more entries (for example the total supply invoices = net value+ taxes). This system is called a double entry because all transactions must be "balanced" - debit and credit parts must be equal to the same amount.

Werner Sombart (1928) considered the invention of this new method as a result of the "economic thinking rationality" derived from a logic that we will now call *capitalist*.

4. CONCLUSIONS

Once with the trade and business flowering, civilization understood the need for accurate and correct registration. Thus, accounting, as is practiced today, has gradually evolved over the years and we cannot tell when and where the first accounting system was born. Certainly it has appeared to meet people's information needs as well as the recording of origin and historical data. The members of the ancient tribes have, undoubtedly, used rudimentary management, a simplistic accounting system to keep track of tribal trading activities, or to keep a social accounting for tribal chiefs, kings, etc. But over the time, regarding the business and trade activities, accounting has become necessary for providing information about commercial transactions and other business activities, and once with the industrial development, with the growing of corporative businesses and, therefore the income taxes, more sophisticated financial information has been requested.

Accounting concepts and practices have been adapted to meet the expectations of the times. Thus, we can say that accounting is a process of evolution that will continue to the end of the world.

Discovering past events may be difficult, but finding the reasons for how it evolved is even more challenging. In the history, there has never been a certain contribution to business modeling in the way that the accounting succeeds to contribute. The historical accounting concept provides clues and explanations for most of the major events that are shaping the development of modern or contemporary accounting.

History and accounting development will be useful to accountants, suppliers, certifiers, trainees, trainers and professional accounting bodies, reflecting, whether or not, they have played a major role in accounting development.

Thereupon, it is known that examining past events allows us to appreciate the complexity and persistence of many of the problems which the accounting studies and professionals are facing today. Some users of accounting information have a particular interest in tracking accounting history, in getting facts to reconcile the problems they may face when performing their professional duties.

We believe that the accounting history highlights the origin of certain policies, procedures and practices and therefore helps us to understand the possible limitations of present and future application; for example the weakness of the balance sheet as a measure of value becomes much easier to understand when we realize that the double-entry keeping system, on which it is based, was initially designed to not facilitate the preparation of the final account but to allow the recording of business transactions in an orderly and accurate manner and to can be tracked the personal accounts and simple physical items, such as cash.

ENDNOTES

[1] *Perioada pre-faraonică a început din perioada predinastică, între 3900 și 3150 î.Hr. până în următoarea perioadă Arhaică, cu termen în 2686 î.Hr.*

[2] *De la 4000 a.C. până în anul 400 î.Hr.*

[3] *Economia provine din greacă Oikos, ceea ce înseamnă acasă, dar poate fi înțeles ca "proprietate familială" și Nomos, normă sau lege.*

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