

History of accountancy. A chronological approach

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Abstract. The aim of this paper is to offer an overview of the evolution of scientific research on accountancy starting with the fifteenth century, when the various forms of writing emerged and paper was discovered. It also seeks to emphasize the way the schools of accounting thinking regarded accountancy at different moments in history. The paper is divided into eight different parts, including introduction and conclusions. The results of the paper show that, although practice is the engine that grounded the development of the accounting processes, the merit of the accounting theoreticians must not be neglected. Thus, the accounting science has developed through a combination between practical needs and the theoretical work of different accounting authors.

Keywords: accountancy, accounting theories, personalistic theory of accounts, double-entry accounting, balance sheet

1. Introduction

Accountancy is a scientific discipline within the system of economic sciences, which has its own object and research method. Analyzing the evolution of scientific research on accountancy is extremely important because: “If someone manifests the desire to become a master in a specific art, he or she must study its history.

Without having a historical background, our knowledge is incomplete and the judgment of current phenomena is precarious and lacks maturity” [1]. The arise and development of accountancy were determined by the practical needs of economic life [2].

At the beginning, “rudimentary bookkeeping” or “statistical accounting” manifested as a record of various goods, out of practical needs (cuts on animal bones, using pebbles, etc.), its development being closely linked to the development of human society and especially to the great discoveries of mankind. A special moment in history was the emergence of the trade with goods and, subsequently, the emergence of the currency as a general equivalent, the emergence and development of the various forms of writing and that of figures.

We must also emphasize paper discovery, which was firstly used by the Chinese [3]. The first accounting entries were made in ancient times by the means of the king of Babylon, Hammourabi, the initiator of the first commercial and social law code. The study of Hammourabi’s code led to the conclusion that Babylonian

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people knew the concept of active and passive and used documentary evidence to record commercial transactions.

Research has shown, without doubt, that the Egyptians, Greeks and Romans had accounting occupations, mostly for practical reasons. The work of Leonardo Fibonacci is remarkable for the Middle Ages; for the first time, he proves how Arabic figures can be used, by drawing up an account using these figures.

2. The fifteenth century

The year 1494 marks a special moment in the history of accountancy. Luca Paciolo's work "Summa de arithmetica, geometria, proportioni et proportionalita" [4] which, in Part I, Section II, Chapter XI presents the "Treaty of accounts", appears in Venice. The diagraph accounting system described by Paciolo led to the development of new theoretical constructions and accounting techniques [5].

3. The sixteenth century

During the sixteenth century, Italy, which had branches in many European countries (Germany, France, Netherlands, etc.) contributes greatly to the spread of the Venetian system of accounting. On the other hand, the officials of the branches of different foreign commercial or banking houses located in Italian cities preach the new system to their countries. Some of them even become the authors of accounting works of art.

Thus, Matthaus Schwarz, who was bookkeeping for the Venice branch of the trade and banking company "Jacob Fugger", learns the new Italian accounting technique. In 1518, after becoming chief accountant of the Fuggers' company, he draws up an accounting manual - Musterbuchhaltung, in which he articulates the German factorial accounting system with elements that are specific for the Italian double entry.

After its establishment as a system, double entry accountancy becomes a subject in schools and copies of some textbooks circulate in manuscript and turn into occult sources of inspiration for various authors. Domenico Manzoni in Italy and Alvise Casanova in Italy, Valentin Mennher de Kempton in Belgium, Claes Pietersz de Deventer and Leon Mellema in Holland, Passchier Goessens in Germany are not only authors of accounting papers published during the sixteenth century, but also accountancy teachers [6].

During the sixteenth century, the main authors of accounting works with contributions in the field are the following: In Italy, Giovanni Antonio Tagliente publishes two papers in which he presents the mechanisms of single entry and double entry. In 1539, appears the work „Practica Arithmetica”, in which the author Giralamo Cardano reserves a separate chapter for accounting matters [7]. The paper is written in Latin, which was considered to be the scientific language of the era. In 1540, Domenico Manzoni publishes an almost faithful copy of the work of Luca Paciolo.

The one who uses the "balance of entry" (opening balance sheet) account is the Benedictine monk Angelo Pietra. His merit also consists in the fact that he adapts the commercial accounting techniques to the specific of non-profit institutions.

In Belgium, trade expansion led to the development of accounting techniques. The great authors of double-entry accounting works are localized in the Belgian city of Antwerp. Out of the most important ones we mention Valentin Mennher de Kempton. In the Netherlands, the list of authors of accounting papers includes: Claes Pietersz de Deventer, Bartholomeus Cloot and Leon Mellema. In Germany, the most important accounting work is produced during this century. The one who really introduces double-entry in Germany is Wolfgang Schweiker.

At the end of the sixteenth century, exactly a century since the first double-entry accounting book was published, the work of Paschier Goessens, in which the accounts "Capital" and "Profit and loss" had identical functions with those of today, sees the light of the print. Hugh Oldcastle is the one who introduces double entry bookkeeping in England, by translating Luca Paciolo's work into English.

In France, accounting books are printed relatively late. The first author of an accounting book is Pierre Savonne (also called Talon), who publishes in 1567 „Instruction et maniere de tenir livres de raison et de comptes par parties doubles" [8].

4. The seventeenth century

Starting with the seventeenth century, the modern accounting era begins. In 1608, Simon Stevin's work appears in five volumes: "Wiscontige Gedachtenissen" [9]. The well-known Italian authors for their accounting papers published during the seventeenth century are: Simon Grisogono, Giovanni Antonia Moschetti, Ludovico Flori, Giovanni Domenico Peri and Bastiano Venturi. The name of Giovanni Domenico Peri is linked to the first use of the term "azienda". The forms of the journal and the accounting ledger are different from the Venetian ones, being closer to the Tuscan models [6].

Bastiano Venturi offers the accounting study a new direction. Through accountancy, the Italian author intended to facilitate the achievement of maximum efficiency for each of the parties of the patrimony of azienda, by their administration with minimal expense. He adopts the personalistic theory of accounts, laying the bases of the administrative doctrine two centuries before H. Fayol. The particular aspects of his work made him the head of a school of accounting thought, the "Florentine school".

In the seventeenth century, Germany, which was also facing economic downturn, had a much poorer accounting literature quantitatively and qualitatively compared to the previous century. During the seventeenth century, economic activity is increasingly moving towards North-East. Netherlands becomes the strongest financial power of Europe. Representative for his writings in the field of accounting is Abraham de Graaf, who publishes, in 1688, in Amsterdam, the work "Instructie van het Italiaans Boeckhouden" [10]. To establish correspondent accounts, Graaf uses two pairs of questions: "who receives" and "who gives" in the case of third-party accounts and "what do I receive" and "what do I give" in the case of value accounts.

The most well-known representatives of the seventeenth century in Great Britain are: Richard Dafforme, Abraham Liset and John Collins (author of "An Introduction to Merchants Accounts" - 1664). In France, the seventeenth century creates favorable conditions for the development of accounting literature; one of the favoring factors was the "Order of trade" given by the finance minister of Louis the fourteenth, Jean Baptiste Colbert. Through this "order", orderly and "en-detail" bookkeeping is regulated and the interest in accounting books is highlighted.

Another representative of the French school of accounting, in chronological order, is Claude Irson, who publishes in 1678 a paper which recommends the use of three journals: Cash Journal, Journal of purchases and Journal of sales. To end the period, he envisages the formulation of an article through which to activate the account "closing balance sheet" [6]. He was also the first to use the term "balance sheet" instead of "closing balance".

Mathieu de la Port is the author who gives accountancy the classic form that we know today. His best-known work is „La science des negociants et des teneurs de livres”, published in Lyon and Paris. During this century, the oldest accounting book is published in Sweden: „Instruction liber das itallienischen Buchhaltens” (1669), by author Merschidt Cyriacus.

5. The eighteenth century

The accounting literature of the eighteenth century undoubtedly puts France on the first position, both in terms of the volume of writings as well as the consistency of ideas presented, as a continuous combustion engine, which pushed accountancy from one decade to another. The French authors who made themselves conspicuous during the eighteenth century are: Samuel Ricard, Bertrand-Francoise Bareme and Edmond Degranges de Rancy.

The merits of these authors refer to the proposal to use several helping books, the advice on evaluating goods at their cost through inventory (Samuel Ricard) and the proposal to introduce double entry in the work of public finances [11]. The one who crystallized the accounting thinking in France for many decades was Edmond Degranges de Rancy, by publishing in 1795 the work „La tenue des livres rendue facile” [12].

Despite the decline of the Italian accounting movement in the eighteenth century, a few names and papers may be considered important. These include the work of Tommaso Domenico, Raffaello Secchioni and Pietro Paolo Scali. The name of Giuseppe Forni is linked to the use of mathematical methods for explaining the relationship between accounts (using algebraic formulas).

Although during the eighteenth century more accounting papers were published in Great Britain than in other countries with more ancient traditions, they were mediocre. During this century, Samuel Friedrick Helwigs and I.M. Stricker publish accounting papers written in German.

The school of “Austrian Lombardy” begins the scientific study of keeping public finance accounts. G.C. Heyne, T.G. Flügel, G. Brandt and M.I. Ressler produce accounting literature for the Austro-German environment. In 1762, Puechenberg, chief accountant of the Imperial Accounting Chamber, established by Maria Theresa in 1760, publishes the work „Einleitung zu einem verbesserten Kameral-Rechnungsfusse”.

In the U.S., an accounting literature is developed starting with the eighteenth century; the main authors are W. Jackson and W.J. Alldridge, the later publishing in Philadelphia, in 1797, the work “The universal merchant in theory and practice” [13].

6. The nineteenth century

In the nineteenth century, a lot of accounting books appear and this trend continues during the next century as well. The representative of the Lombard school, the Italian Francesco Villa, is considered to be the promoter of scientific accounting in Italy.

During the nineteenth century, the representatives of the Tuscan school (Francesco Marchi and Giuseppe Cerboni) manifest themselves. Furthermore, Giuseppe Cerboni develops logismography as a modern expression of the personalistic theory of accounts, which assigns all accounts to people.

According to the concept of logismography, any administrative operation gives rise to debit and credit relations between natural or legal persons, capable of rights and obligations or which exert an action within the enterprise. To reveal these relations, each person must be opened an account. Therefore, accounts must be absolutely and exclusively personal. It is a legal and administrative personalistic theory [11]. By the method of accounting technique that Cerboni creates, the account of the owner and the account of the agency (agents and correspondents) are kept in permanent balance with the help of the logismographic journal.

The founder of the Venetian school is considered to be Fabio Besta, who creates a materialistic theory of accounts, based on the value of the account object [6]. His complete work, consisting of three volumes, appears between 1885 and 1889 under the title of “La Regioneria”. Fabio Besta believes accounting is the science of economic control, classified among moral sciences.

Among the representatives of the French school of accounting of the nineteenth century, R.P. Coffy comes to the fore with his famous papers: „Tableau synoptique des principes generaux de la tenue des livres a parties doubles” (1833) and „La tenue des livres a parties doubles” (1834). In his papers, Coffy emphasizes accountancy’s character of economic science.

At the end of the nineteenth century, the French school of accounting links this science to mathematics, seeking and establishing permanent relations between the various aspects that may explain the mechanism of accounts. The French representatives of these theories are: E. Leautey and A. Guilbault, who publish, together or separately, papers that enjoy a wide reputation. Their best-known work with a positive impact in the field of accounting is „La science des comptes”, published in 1889. It is followed by an equally well-received paper, „Principes generaux de comptabilité”, published in 1895.

As representatives of the mathematical theory of accounting, the two authors believe that the account is a calculation whose purpose is to compare different sizes in order to establish a report that enables their quantitative or qualitative determination. They are also the protagonists of the “dual personality theory”, according to which a mental duality of the merchant’s personality is produced. On the one hand, the merchant is regarded as a capitalist who brings funds and, on the other hand, as a guarantor or seller. The capitalist is represented by the account “Capital” and the seller by all the “accounts of commercial values”. These accounts follow the classic rule: “The account that receives owes to the account that delivers”. The receiving account is, therefore, debited and the delivering account is credited [11].

By publishing the work „L’Economologique (scientifique comptable) et son histoire”, L. Gomberg, states that accountancy can use mathematical methods; yet, he warns that there are differences between the

two sciences. “Economology” deals with budget principles, the evaluation and estimation of economic assets and operations, and the formulas by which inventory is made.

The author of another accounting theory, the so-called “positive” theory, is J. Dumarchey. He sees the essence of accounting into value and the account is regarded as a class of value units. In his view, accounting is a science that is part of the economic and social sciences and which gains individuality as a science of accounts [11].

7. The twentieth century

During the nineteenth and twentieth century, accounting papers are published also in the German space. The most prominent authors of those times are, among others, Johann Fr. Schar, Fr. Leitner and Manfred Berliner (author of the “enterprise theory”).

This period is associated with the creation of the balance sheet theory; the promoter of this theory is W. Osbahr who publishes in 1918 the work „Die Bilanz von Standpunkt der Unternehaung”. He is followed by Eugene Schnalenbach, Wald and Heplenstein (with the dynamic theory), H. Nicklisch, Frederich Lietner and Manfred Berliner (with the static balance sheet theory), Walter le Coultre (with the integral balance sheet theory), H. Sommerfeld (with the eudynamic theory), Wilhelm Rienger (with the nominalist balance sheet theory) and Erick Kosiol (with the pagatoric balance sheet theory).

Regarding the issues related to the nature of accountancy, German researchers are divided into two groups of thinking. A group headed by Schar, Berling and Oswald sees accountancy as a scientific independent system. The second group is less concerned with the field of accounting theory. Having no intention of turning accountancy into a distinct science, they see accountancy more as a technical method of calculating values with broad applicability to the study of the enterprise. The second half of the twentieth-century brings along studies and treatises in which leading economists write about national accountancy. This is a time when national accounting principles and standards are spread by official documents.

The concrete shape of the national accountancy applied in each country at a certain moment is conditioned by the level achieved by global theoretical research and each country’s individual experience in the field. The influence of the model that the country chooses to follow is not less important.

8. Conclusions

Appealing to the history of accountancy and thus of the accounting profession is necessary for explaining the contemporary structure of accountancy and accounting requirements. Acquiring knowledge in the field of accountancy in various geographical areas has always been the concern of business partners, mainly for practical needs. Practice is thus the engine that grounded the development of the accounting processes and techniques; still, the merit of accounting theoreticians must not be neglected.

The combination between practical needs and the theoretical work of accounting authors eventually led to the development of the accounting science. Recording all economic operations has always been a goal, especially under the current conditions, when the effects of globalization are more and more obvious. Accounting professionals are increasingly invited to respond to the challenges of practical life by implementing the accounting techniques and procedures in a regulated framework.

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