The advent of accounting in business governance: from ancient scribes to modern practitioners

Jenifer Axtell and L. Murphy Smith*

Department of Accounting, Murray State University, 130 Business Building, Murray, KY 42071, USA
Email: jaxtell@murraystate.edu
Email: msmith93@murraystate.edu
*Corresponding author

Wayne Tervo

Department of Accounting, Stephen F. Austin State University, P.O. Box 13005, SFA Station, Nacogdoches, Texas 75962, USA
Email: tervowa@sfasu.edu

Abstract: General social theory provides a framework within which accounting and its role in advancing business and society can be examined, including historical development and functions. This study examines the advent of accounting in business governance, from ancient origins to present day, from the scribes of ancient Mesopotamia to the internal control concepts described by the Apostle Paul in the Bible, from the Friar Luca Pacioli’s landmark book published in Renaissance Italy to the work of modern-day accountants employing the latest technology, to the expanding role of women in the profession. Throughout history, while standards and technologies have changed, a fundamental purpose of accounting in business governance remains constant: to provide a test of stewardship or accountability for those trusted with financial resources. Findings of this paper will be of interest to business stakeholders and academic researchers, who will be able more clearly to see the role that accounting played in the progress and development of business over millennia.

Keywords: business governance; accounting history; accounting standards; ancient Mesopotamia; Roman Empire.


Biographical notes: Jenifer Axtell is an honours program accounting graduate at the Department of Accounting in Bauernfeind College at Business, Murray State University. She is a researcher in accounting history.
1 Introduction

The modern global economic system interlinks companies that provide goods and services to billions around the world. Accounting and financial reporting are key elements in the efficient functioning of individual business firms and of the overall global economy. In the USA, for example, publicly traded companies are required to file audited financial reports with the Securities and Exchange Commission (SEC). These reports can be quite complex, difficult to prepare, and depend on skills and technical competence of accountants who prepare them. Surprising to most people is that the buying and selling of corporate stocks has been a part of the US economic system from the country’s earliest days. The New York Stock Exchange began in 1792, just 16 years after the Declaration of Independence.

Business governance is essential for business excellence. Modern-day accountants, internal auditors and external auditors play critical roles in the governance function, particularly in measuring and benchmarking business performance. Accountants are well aware of how accounting standards are developed by rule-setting bodies such as the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). However, for many business persons, including accountants, there is scant knowledge of how accounting developed over the centuries. The accounting field has a rich history with ancient roots and diverse civilisations. This paper offers a theoretical perspective regarding the formation of the accounting profession and how it developed from various cultures, including ancient Mesopotamia, the Roman Empire, Medieval Britain, Renaissance Italy, and Modern Britain.

The accounting field can be understood within the context of general social theory. Profession formation theory is a type of general social theory that identifies classes of persons as members of a profession, based on practices within that profession, and how that profession is perceived within the overall society. Lemke (2015) observes that a general social theory “usually identifies the categories of persons [such as accounting professionals] constructed by the practices of a community, and specifies the relations among these categories in terms of power, prestige, and specialised function within the
The advent of accounting in business governance

community”. Social theory attempts to describe how such categories were developed historically, how they are maintained, and how they function, while in a continual state of flux.

Trede et al. (2011) provide a systematic review of prior research concerning the development of professional identities. Professional formation of accountants includes formal and informal processes and value systems through which individuals become accountants. In general, a profession is formed on the basis of:

1. a generally accepted body of knowledge
2. a widely recognised standard of attainment
3. an enforceable code of ethics (cf., Smith and Bain, 1990; Smith and Thompson, 1985).

Figure 1 depicts the processes in the formation of the accounting profession within the context of general social theory and its subset, profession formation theory.

**Figure 1** Formation of accounting as a profession within the framework of general social theory and its subset, profession formation theory

Professional Practices:
- Formal
- Informal

Accounting Profession Formation:
- Power
- Prestige
- Specialized functions

Profession Basic Components:
- Body of knowledge*
- Standard of attainment**
- Enforceable code of ethics***

Perceptions of Society

Notes: *Such as International Financial Reporting Standards or US Generally Accepted Accounting Principles.
**Such as Chartered Accountant or Certified Public Accountant.
***Such as the International Code of Ethics for Professional Accountants of the International Federation of Accountants.

The advent of the accounting profession can be traced back to the temple scribes of ancient Mesopotamia, who provided a stewardship function over temple income. Later, accounting was greatly influenced by the establishment of standards that established how business transactions would be recorded and reported. As accounting standards developed over the centuries, standards were affected by increasingly complex business operations, changes in laws, and advances in technology. The history of accounting is just as important to study as other facets of the subject. A proper understanding of history can help put modern-day accounting practice and its role in business governance into
perspective. Table 1 provides a timeline of key events in the history of accounting and financial reporting.

Table 1  Timeline of key events regarding accounting and financial reporting

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>4000 BC</td>
<td>Archeological findings in lower Mesopotamia show that scribes accounted for temple income on clay tablets.</td>
</tr>
<tr>
<td>27 BC</td>
<td>In Ancient Rome, an account-keeper, also called dispensator or procurator, is employed to maintain stewardship of financial matters.</td>
</tr>
<tr>
<td>33 AD</td>
<td>Jesus of Nazareth affirms a citizen’s duty to pay taxes: “Render to Caesar the things that are Caesar’s, and to God the things that are God’s.”</td>
</tr>
<tr>
<td>60</td>
<td>The Bible describes internal control procedures such as the use of accounting reports to monitor a steward’s performance (Jesus’s parable of the ‘unjust steward’) and dual custody of assets (Apostle Paul’s handling financial gift).</td>
</tr>
<tr>
<td>1086</td>
<td>William the Conqueror’s Doomsday Book is compiled, providing detailed information about England and Wales from which taxes were levied.</td>
</tr>
<tr>
<td>1200s</td>
<td>The development and spread of manorial accounting, the proffer system, and tallies throughout England, Scotland, and Ireland.</td>
</tr>
<tr>
<td>1455</td>
<td>Johann Gutenberg invents the movable type printing press.</td>
</tr>
<tr>
<td>1494</td>
<td>Friar Luca Pacioli authors first book on double-entry accounting.</td>
</tr>
<tr>
<td>1600</td>
<td>East India Company, early joint-stock corporation, established with royal charter by Queen Elizabeth I.</td>
</tr>
<tr>
<td>1629</td>
<td>Appointment of auditors to examine the accounts of Massachusetts Bay colony.</td>
</tr>
<tr>
<td>1792</td>
<td>New York stock exchange established.</td>
</tr>
<tr>
<td>1853</td>
<td>Institute of Accountants is established in Edinburgh, Scotland, UK.</td>
</tr>
<tr>
<td>1883</td>
<td>First US college accounting course offered at the University of Pennsylvania.</td>
</tr>
<tr>
<td>1896</td>
<td>New York is first US state to pass CPA legislation.</td>
</tr>
<tr>
<td>1899</td>
<td>First woman CPA, Christine Ross of New York.</td>
</tr>
<tr>
<td>1928</td>
<td>Helen Lowe, Chartered Accountant, starts her own accounting practice in Scotland.</td>
</tr>
<tr>
<td>1930s</td>
<td>US securities acts of 1933 and 1934 require filing and public disclosure of audited financial statements to the SEC.</td>
</tr>
<tr>
<td>1946</td>
<td>The first electronic computer, ENIAC, is constructed at the University of Pennsylvania.</td>
</tr>
<tr>
<td>1969</td>
<td>ARPANET, the forerunner of the internet, established with four nodes: UCLA, Stanford, UC-Santa Barbara, and University of Utah.</td>
</tr>
<tr>
<td>1973</td>
<td>International Accounting Standards Committee established, forerunner of the International Accounting Standards Board (IASB).</td>
</tr>
<tr>
<td>1980s</td>
<td>Widespread use of microcomputers, particularly for word processing and spreadsheet applications.</td>
</tr>
<tr>
<td>1998</td>
<td>Olivia F. Kirtley becomes first woman Chair of the American Institute of CPAs (AICPA).</td>
</tr>
</tbody>
</table>

Source: Smith (2017b)
Table 1  Timeline of key events regarding accounting and financial reporting (continued)

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Sarbanes-Oxley Act signed into law by President George W. Bush, contains provisions regarding corporate governance, auditing, and financial reporting of public companies, including provisions designed to prevent and punish corporate accounting fraud and corruption.</td>
</tr>
<tr>
<td>2005</td>
<td>European Union requires use of International Financial Reporting Standards (IFRS) by publicly traded companies in the EU.</td>
</tr>
<tr>
<td>2007</td>
<td>US Securities and Exchange Commission accepts IFRS for financial reporting by non-US companies listed in the US stock market (no Form 20-F reconciliation to USA GAAP) if those companies use IFRS in their home country.</td>
</tr>
<tr>
<td>2009</td>
<td>The implementation of the Codification of U.S. GAAP.</td>
</tr>
<tr>
<td>2014</td>
<td>Olivia F. Kirtley becomes first woman President of the International Federation of Accountants (IFAC).</td>
</tr>
<tr>
<td>2017</td>
<td>International Financial Reporting Standards accepted or required in over 120 countries.</td>
</tr>
</tbody>
</table>

Source: Smith (2017b)

In the 6,000 years between the ancient Mesopotamian scribes and the tech-savvy accounting practitioners of the 21st century, accounting advanced in a continual fashion. The simple rules followed by the ancient scribes have become the complex, myriad of accounting standards of the modern world. Yet, by studying the history of accounting, one can see how little the fundamental role of accounting has changed. From the earliest times, when accounting was mostly simple bookkeeping, there was a stewardship role; accounting reports facilitated keeping individuals accountable for how they managed financial resources belonging to others.

A considerable amount of modern-day accounting research examines the history of accounting. Gomes et al. (2011), expand on discussion from a panel session that took place at the Sixth Accounting History International Conference. The question asked was whether accounting history matters. The authors make a strong case that the answer is unequivocally affirmative. In their paper, a number of ideas are offered for advancing the value and significance of research in accounting history, including the necessity of redressing ongoing misunderstandings regarding the discipline. Also examined is how accounting historians can act as change agents.

Fleischman et al. (1996) point out that research in accounting history is increasing as prominent journals worldwide call for authors to integrate history in their studies. Fleischman et al. indicate that some accounting researchers may be not inclined to do so because they do not understand the basics of historical scholarship. In their paper, the formal theoretical structures of history as a discipline are presented. The authors also differentiate between social science and history, and summarise the debate between conventional and critical accounting historians. They also present possible topics to be researched.

Among the most prolific researchers is British scholar B.S. (Basil Selig) Yamey. Among Yamey’s works are a description of the British contribution to accounting history (Parker and Yamey, 1994), a bibliography of bookkeeping and accounts from 1494 to 1650 (Thomson and Yamey, 1958), a study financial accounting in England 1500–1900 (Yamey, 1962), record keeping practices across ten millennia (Edwards and Yamey,
1994), and even a book that discusses art in which accounting books are shown (Yamey, 1989).

Other accounting history research includes work by Hammond and Sikka (1996), who describe how idealised scientific methods are often used in accounting history research, which neglect the effect of accounting on the lives of everyday people. The authors recommend use of oral histories in research, whereby the people who are often marginalised and overlooked by conventional research can be better understood. A study by Bricker (1988) analyses how knowledge is preserved in accounting research by reviewing a sample of 428 published accounting articles along with their citations, which approach 11,000. The analysis shows that researchers mostly cite very recent research and largely neglect older research.

Citation analysis was used by Bisman (2011) to examine components of the history of academic publications on accounting’s past. Her analysis was based on citations found in 546 articles, which were published in the three English-language accounting history journals during the period 1996 to 2008. The study helps clarify understandings of this body of research, via investigation of the importance and comparative aspects of this journal network and its research scholars.

Accounting history research is global, encompassing East and West. For example, research by Lu and Aiken (2003) examines Chinese accounting and auditing through millennia. Historical records indicate that the Ancient Chinese were numerically literate about 4000 BC. The ancient period of Chinese accounting reached a zenith during the Western Zhou Dynasty of 1100 to 771 BC but then progress slowed in the following centuries when the feudal society prevailed. Later advances include the intricate government accounting system of the Song Dynasty (AD 960 to 1279), which was a significant attainment in Chinese accounting and notable contribution to the world at large.

2 Accounting in Ancient Mesopotamia

The passage of time can be marked by how accounting records were kept and by whom. The first event on the timeline (Table 1) concerns ancient Mesopotamia. Starting there 6,000 years ago, clay tablets were used by temple scribes to keep financial records. Accounting in ancient Mesopotamia has been investigated by various researchers, such as Macve (2015), Pollock (1999), Garbutt (1984), and Keister (1963, 1965). Macve (2015) examines current fair value accounting theory, using insights gleaned from the history of accounting, including ancient Mesopotamian accounting. Pollock (1999) offers a thorough analysis of the precursors of embryonic state and urban cultures in lowland Mesopotamia during the period 5000 to 2100 BC. Garbutt (1984) examines evidence on the Dreham archive, the financial institution function of temples, and aspects of banking, interest, and loans. Keister (1963) presents a summary of categories of records maintained by ancient Mesopotamians. He laments that “students of accounting history have been somewhat engrossed with post-Paciolian developments and have almost completely neglected this period of accounting history” [Keister, (1963), p.371].

Keister (1965) examines the importance of the scribe as the ancestor of the modern accountant. The location of Mesopotamia, between the Tigris and Euphrates Rivers, made it the perfect location for agricultural development. Following on agricultural successes, other industries developed such as weaving and carpentry. As cities and
The advent of accounting in business governance

businesses expanded, the need arose for some type of bookkeeping system. The scribe stepped in to fill this role. They were the accountants of the time and they kept records in cuneiform script on clay tablets. Some of these archives were so well preserved that they have been discovered whole today.

Scribes served an important role in the Mesopotamian society. They were often the only people in the community able to read, write, and understand the law. While scribes are often associated with religious duties, such as keeping track of temple income, they were also called upon to settle contracts and business accounts, and to write messages for illiterate people. Numerous scribes were employed by private businesses to carry out these activities. The demand for their services grew along with the rise of the Sumerian, Akkadian, Babylonian, and Assyrian societies (Keister, 1965).

Keister (1965) indicates that the education of the scribe was very similar to modern-day business programs. Prospective scribes learned reading, writing, mathematics, laws, and ethical principles. After schooling, the prospect entered into a kind of internship within an office. There, the scribe would spend months transcribing official documents, slowly learning their meanings and importance. Whenever he was deemed to have a strong understanding of his role and responsibilities in business, the scribe would leave the office and find employment among the many temples, palaces, and business firms that had need for them.

While the ancient scribes were the accountants of their day, Carmona and Ezzamel (2006) point out that there has been very little research on the relationship between accounting and religion or religious institutions. These researchers are perplexed by the lack of academic study on this long-term connection, especially so, given the importance of religious institutions in the majority of historical and modern-day societies, from both a spiritual and economic standpoint. In their review of prior research, research with a historical emphasis is examined first, followed by an examination of research on accounting and modern-day religious institutions. They conclude that research in this area is at a very early stage and list a number of research areas that could be investigated by current researchers.

### 3 Accounting in the Roman Empire

After Mesopotamia, the second event on the timeline of accounting history occurs in Ancient Rome. Research by Oldroyd (1995) presents the Roman government’s system of accounting, specifically during the rule of Augustus, the first emperor. He describes the usefulness of the keeping of accounts to ensure and protect the interests of citizens and government officials. Additional information is provided by Brown (1968) regarding sophisticated accounting principles and systems that were in existence during the Roman Empire of the first-century AD. A study by de Ste. Croix (1956) provides additional details regarding the accounting practices used in that time period.

In the Roman Empire, the designation of ‘citizen’ was important as it allowed holders many exclusive rights. These included the right to vote, to hold office, to marry, and to enter into contracts, among others. Citizens were considered much more prestigious than outsiders and the title was much sought after as the Empire continued to grow. The high value of citizenship is recorded in a first-century biblical account (Acts 22:25), in which the Apostle Paul appealed to his Roman citizenship to avoid harsh treatment by a Roman
Centurion: “Is it legal for you to flog a Roman citizen who hasn’t even been found guilty?” [Holy Bible, (1996), p.943]. As a result, the Centurion did not flog Paul. Other aspects of Roman citizenship are described in studies by Adams (2008) and Goodfellow (1935).

To an extent, Roman citizenship rights were dependent on the value of personal property a citizen declared for taxation purposes. This provided a strong incentive for them to properly keep their accounts (Oldroyd, 1995). The patriarch of the family kept an adversaria (common book) of all the household’s income and expenses. Every month, he would post the collected entries into a larger register called the codex accepti et depensi (Brown, 1968). This created a tradition of recordkeeping that continued for centuries, even by the ruling class.

Brown (1968) indicates that the initial Roman constitution dictated very few sources of governmental revenue. Sources were restricted to limited taxes, dues, fines, confiscations, and wartime gains. As the Republic’s lands increased through long wars, there was a need for more trained and better paid soldiers. This led to government expenditures increasing faster than revenues. Leaders were forced to partially, or completely, support the state from their personal resources.

When Caesar Augustus consolidated his power, he took control of the monetary system, but only governed it loosely, choosing instead to respond to recommendations of his counsellors. He employed a personal staff of financial advisors to aid him in organising the system. His personal a rationibus, or financial secretary, Pallas was given a position of high status in the government. The codex accepti et depensi and the adversaria made bookkeeping in Rome similar to modern accounting (Mendlowitz, 2016). Roman bookkeeping facilitated stewardship of financial resources. During the 40 years that Augustus ruled, Rome and its people prospered in the Pax Romana, or the Roman Peace [Petit, (1967), p.268]. This was a time of fewer military expansions and related costs (Rich, 1993).

The Roman Empire spread as far west as Spain, south to Egypt, north to Germany, and east to Syria. The borders contained large swaths of empty land between major cities. The varied peoples of the Empire paid taxes that were reported to the Aerarium, the national treasury at Rome. Due to the large distances and amounts involved, tax officials were required to keep highly detailed accounts of expenditures and receipts from the publicans, or tax collectors (Cavanaugh, 2004; Oldroyd, 1995).

Taxes were necessary for Rome as they were for all ancient governments, to pay for the necessaries of an orderly society, such as for roads to facilitate travel and commerce, for civil servants to administer judicial matters, and for military defence to protect the nation’s sovereignty. Over time, many subjugated countries were absorbed into the Roman Empire. One such subjugated country was ancient Israel, which was part of the Roman Province of Judea. Judea was governed by a prefect, the most famous being Pontius Pilate, who governed from 26 to 36 AD (Britannica, 2015). In the Judean city of Jerusalem, Jesus of Nazareth, was confronted by his opponents and asked whether Jewish citizens should pay taxes to the Roman authorities (Mark 12: 13–17). He called for a Roman denarius, a small silver coin, which is shown in Figure 2, to use as an object lesson. He indicated that a citizen had a moral responsibility to pay taxes.
The advent of accounting in business governance

“...Bring me a denarius and let me look at it.” And they brought one. And he said to them, “Whose likeness and inscription is this?” They said to him, ‘Caesar’s’. Jesus said to them, “Render to Caesar the things that are Caesar’s, and to God the things that are God’s.” [Holy Bible, (1996), p.856]

Figure 2  Roman Denarius

![Roman Denarius](image)

Notes: Augustus (born Gaius Octavius), 23 September 63 BC – 19 August 14 AD, was the first Emperor of the Roman Empire, ruling from 27 BC until his death in 14 AD. The silver denarius depicts Augustus on the obverse and his adopted sons, Caius and Lucius, with shields, on the reverse.

Source: Smith (2017a)

The quote above, regarding taxation, is an example of a biblical passage that was a major influence on Western thought. In that simple object lesson, Jesus makes a point, which continues to influence citizens regarding their tax compliance (Potter, 2014). In a US-based study titled, ‘Religiosity and Tax Avoidance’, Boone et al. (2013) conclude that firms based in more religious US counties are associated with a lower probability of avoiding taxes. In addition, religiosity is consistently connected to lower tax avoidance by individual taxpayers. A Google search for the phrase, “Render to Caesar the things that are Caesar’s”, yields 289,000 website listings (12 December 2016). While there are differing views about some biblical passages, no one questions that the Bible, such as this passage about taxation, has greatly affected modern culture, especially in Western nations.

As far as understanding ancient societies, the Bible is widely regarded as representative of the time periods in which it was written. Modern archaeological research has extensively confirmed the Bible’s authenticity (Price, 1996, 1997; Bruce, 2003; Smith and Smith, 2016). Compared to other ancient writings, the Bible has far more source manuscripts than any other ancient writing. For comparison, there are only ten ancient copies of the writings of Julius Caesar, the oldest being written about 1,000 years after Caesar’s original work. In the case of the Bible’s New Testament, over 5,000 manuscripts survive, with earliest copies ranging from 200 to 300 years later, and some less than 100 years later (Slick, 2008). Throughout history, the Bible has been a source of guidance and inspiration. At his inauguration, President Obama held his hand on two Bibles, one previously owned by Martin Luther King Jr. and the other by President Abraham Lincoln (Mears, 2013). President Trump, at his inauguration, also
held his hand on two Bibles. One was Lincoln’s Bible, the same one used at President Obama’s inauguration, and the second was Mr. Trump’s personal Bible that his mother gave him in 1955, just before he turned nine years old (McCann, 2017).

Roman tax records were not used in any form of budgeting, but rather to keep checks on each official retrospectively. Good tax records also served as protection for young government entrants. The government of the Empire was largely open to those with the skill to climb the ranks to receive a chosen position, which often came with a certain amount of respect and salary. Such positions may put a person in direct opposition of a senator’s political plans. Officials could be tried for embezzlement at the word of a higher officer; consequently, young candidates often kept detailed accounts of their economic work for personal protection (Oldroyd, 1995).

Taking appropriate safeguards to protect cash is a well understood accounting internal control, going back to ancient times, including Roman times. In a biblical story from the first century, written by the Apostle Paul, the use of the internal control of dual custody of assets is described in the way a large cash gift is transported from Macedonia to Jerusalem. By employing this internal control, not only is the money safeguarded but honest people are protected from false suspicion (2 Corinthians 8: 19–21):

“What is more, he was chosen by the churches to accompany us as we carry the offering, which we administer in order to honor the Lord himself and to show our eagerness to help. We want to avoid any criticism of the way we administer this liberal gift. For we are taking pains to do what is right, not only in the eyes of the Lord but also in the eyes of man.” [Holy Bible, (1996), p.979]

Another biblical story from Roman times concerns accounting reports (Luke 16: 1–13). In a story, told by Jesus of Nazareth, a dishonest steward, sometimes referred to as a dishonest manager or dishonest accountant, is called in by a property owner to give the owner a report regarding the steward’s financial dealings. The steward is faulted for employee theft. The story ends with the admonition that people who are untrustworthy with small things cannot be trust with larger matters:

“There was a rich man whose manager was accused of wasting his possessions. So he called him in and asked him, ‘What is this I hear about you? Give an account of your management, because you cannot be manager any longer.’

… Whoever can be trusted with very little can also be trusted with much, and whoever is dishonest with very little will also be dishonest with much.” [Holy Bible, (1996), pp.883–884]

4 Accounting in Medieval Britain

After Caesar Augustus, accounting changed little until the medieval period, when feudal societies and manorialism evolved from the Late Roman Empire’s villa system. As manorialism spread throughout Europe, a new form of bookkeeping developed. Research by Chatfield (1968), Brown (1968) and Kojima (1995) describes the exchequer and manorial accounting systems of Medieval Britain. These systems bridge accounting between the ancient and Postclassical eras of accounting.

Bookkeeping in the medieval period was quite different from that of the Roman Empire. The role of accounting as a test of stewardship became increasingly
The advent of accounting in business governance

important at this time. According to Chatfield (1968), the feudal society of medieval
times is typically shown as a multilayered pyramid, with individuals at lower levels
granted certain rights in exchange for certain duties. Within the system, many different
people had many diverse levels of authority. This created a need for interlayer
communication and principal-agency validation (Chatfield, 1968).

Like earlier civilisations, the English faced problems regulating taxes. William the
Conqueror’s Doomsday Book of 1086 was a census and valuation of the properties of the
Crown from which taxes were levied. The Pipe Roll, also known as the ‘Great Roll of the
Exchequer’, was a record of the dues to the king and related expenses incurred while
collecting them. Spanning over seven centuries, the Pipe Roll was compiled from
Doomsday, reports of sheriffs, and other treasury administrators (Chatfield, 1968).

To ensure that the tax officials worked in the interests of the government, the Court of
the Exchequer was split into two separate functions that operated as a modern department
of state. Taxes and other revenues were collected by the Lower Exchequer, while the
Upper Exchequer checked the accuracy of the tax collectors’ records and dispensed their
receipts of payment. The process was similar to the separation of authorisation and
recording duties today. Royalty and common citizens were separated by land and status,
so there were many intermediaries needed to cross the distances. The sheriff was one
such emissary, acting as an agent in civil and military instances.

Below the importance of the Crown and above that of the common people sat the
authority of the manor. These were the territories of titled lords and their holdings. These
acted as miniature self-governing units under the lord’s power, who held privileges over
those that lived and worked on his lands. The holdings of the manor could be quite
expansive and relied on intermediaries as well. Lords organised complex levels of
managers and supervisors to run the lands on a day-to-day basis. These stewards, like
those of the Roman Empire, kept detailed accounting records in order to prove they had
completed their duties honestly and proficiently. Accounts were kept for personal
protection purposes, since a lord would dismiss managers that failed in their duties. As a
result, a steward often only recorded the receipts pertaining to his responsibilities and
nothing else (Chatfield, 1968).

Accounting entries of the manor were in narratives rather than a columnar or balance
type of report. Entries were very detailed in some instances, such as inventory, while
vague in others, such as total profit. Entries were written to promote the success of the
steward; therefore, if things went wrong, the narrative would be interrupted to detail the
revenues that could have been possibly made if another route was taken. Such accounts
were far from unbiased. The treatment of expenses is notable, as they were recorded by
activity but not by type. In an example accounting entry presented by Chatfield (1968),
no distinction was made between the cost of a purchased horse, a modern-day fixed asset,
and the feed it consumed, a modern-day maintenance expense.

5 Accounting in Renaissance Italy

During the 1400s accounting began to take on a more modern look. At that time, the
system of Venetian accounting became well-known as a consequence of a book published
in 1494 by Luca Pacioli, a Franciscan friar. As a result, Friar Luca became known as the Father of Accounting (Smith, 2013). His book, Summa de Aritmetica, Geometria, Proportioni et Proportionalita was the first on accounting and detailed double-entry bookkeeping. Translations of the revolutionary text have been made by Brown and Johnson (1963), and by Green (1968), which offer insight to its importance.

The Summa became a best-seller because it filled the merchants’ need for a systematic method of bookkeeping. The book was printed using Gutenberg’s moveable-type press which allowed for quick reprint. The Summa was written in colloquial Italian instead of Latin. These factors meant that ordinary people could read the Summa. Brown and Johnson (1963) wrote that Pacioli’s goal in writing his book was to accumulate information on mathematics and bookkeeping, and then give that knowledge to the Italian people, hoping that they would use it to improve their lives.

Friar Luca’s book described in detail the style of bookkeeping that was in widespread usage in Venice. At that time, the city was in a major maritime economic boom that dominated the Mediterranean region. The Venetian method of accounting addressed the age-old need for reliable financial records and trustworthy business managers. Since the city had its roots in maritime trade that extended to locations as far out as Syria, communication between the travelling traders and the merchants remaining in Venice was critical (Brown and Johnson, 1963).

Business owners needed reliable managers in markets thousands of miles away. This led to the development of the commission agent, similar to modern-day retail salespersons (Kojima, 1995). Instead of profit sharing as joint-venture partners, agents were paid in percentages of the revenues that they had a direct hand in earning. Given the vast amounts of letters going in and out of Venice, merchants were kept well informed of market prices. With this information, they could evaluate the activities and abilities of their agents.

Pacioli’s book covered many accounting subjects that remain fundamentally unchanged, from the treatment of debts to the classification of inventories. This first accounting book stressed that accounts had ‘both likes and opposites’, like payable and receivable accounts, and that merchants should be aware of the ‘dual aspect’ of transactions (Littleton, 1933). Another topic covered was error correction. Pacioli was of the opinion that no entry was to be left unwritten or crossed out of the ledger. When an error was discovered, a correcting entry was made instead of marking out the error.

There were two main ledger books used in Venice: the libro reale vecchio and the libro reale nuovo. In the vecchio, each facing page acts as a pair: they had the same page number and the left pager is for the debt of the account while the opposite right was for the credit. Figure 3 shows an example of the vecchio.

The vecchio was phased out over the years and replaced with the nuovo, which had single pages split vertically, with a debit left and credit right, similar to modern accounting ledgers. Figure 4 shows an example of the nuovo.

Ledgers were kept by most traders and were reconciled with those kept by the owners. Accounts were closed to a profit and loss account that, similar to modern practice, was closed to a capital account. Merchants also used a journal to record entries initially prior to posting to a ledger. This system was well in place in Venice and its trading partners before Pacioli’s book, but his book’s clear explanations and the accounting system’s practicality helped spread it to common usage worldwide.
Littleton (1933) observes that, at its core, modern bookkeeping remains very similar to that of the Venetian style. Often when studying accounting history, people will read about Pacioli’s *Summa* and then jump directly to the development of modern-day generally accepted accounting principles. What caused this revolutionary advancement to occur in Renaissance-era Italy? There had long been a need for an accounting system that could address the agency problem of accountability of business managers to business owners. Littleton (1933) outlined seven key elements that came together perfectly to result in double-entry accounting:

- **Writing system** – because accounting is the keeping of a written record
- **Arithmetic** – it necessitates at least simple calculations
- **Private property** – it deals with property and property rights
- **Monetary system** – this reduced transactions to one common measure
- **Credit** – as to mean incomplete transactions – there would be little need to keep records if all transactions were paid in full immediately
- **Commerce** – it was large scale trade that created enough need for people to develop such a system
- **Capital** – without it, there would be little commerce and no credit

These elements were essential, along with favourable social and economic factors, to give birth to double-entry accounting. Some of these existed together in history, but they did
not align correctly until Renaissance Italy, where massive amounts of commerce and capital came together. The crusades played a large role in this convergence. For two hundred years, people moved between Europe and the Middle East, attempting to capture and recapture Jerusalem. Italy, in a critical position on the Mediterranean Sea, experienced an influx of both people and imports from the East. Venice and other coastal cities profited from the traffic. After the crusades, the soldiers returned to their homes. Many missed the spices and goods of the lands they had left, and were willing to pay quite a lot for them. This caused an increase in trade beyond any prior levels (Littleton, 1933).

**Figure 4** The Libro Reale Nuovo

<table>
<thead>
<tr>
<th>Translation</th>
<th>Translation</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Jesus Mecece xxij i</td>
<td>+ Jesus Mecece xxij ii</td>
</tr>
<tr>
<td>Pole-cat skins which belong half to Mr Lucha Donado, the other half to our firm, on the 5th of July, for all skins, 223 soldi each, amount entered as above, page 77, in this book.</td>
<td>Pole-cat skins, per contra C of the 2nd of July, 1423, for Mr Lucha Donado, for half of the said skins, which he received this winter past, amount entered as above, page 77, &amp; in this book, 92 skins page 89 Eii.</td>
</tr>
<tr>
<td>The same to our firm for the duty at the Custom House, entered as above, page 77, in this book. 103 £.</td>
<td>Same, per Mr Piero Soranzo, for the value of a quarter of said skins, 46 skins, entered as above, page 79, in this book.</td>
</tr>
<tr>
<td>The same to our firm, for tanning said skins, at 2 soldi each, amount entered as above, page 77, in this book. 103 £. vii.</td>
<td>Same date for the above mentioned account, Mr D. Soranzo for the other quarter, that is 46 skins, entered as above, page 77, in this book.</td>
</tr>
<tr>
<td>The same per Mr Julian Loredan for pole-cat skins, amount entered as above, page 77, in this book.</td>
<td>Taken by Victor</td>
</tr>
</tbody>
</table>

**Messrs. Nicholas and James Priuli, sons of the late Mr Constantine, 5th on the last day of July, per Mr Andrew de Priuli, balance as entered in the book kept for Mr D. and Mr John, page 78, in this book.** 72 £. x 7

**Messrs. Nicholas de James Priuli C** 3rd June, for 331 parcels of pepper, for their half share, entered as above, page 78, page 88 Eii.
6 Accounting in modern times

Hugo Oldcastle and Jan Ympym Christoffel brought the Pacioli’s accounting book to an even wider audience in 1543, through English and Dutch reprints. These were largely direct translations, though Christoffel’s book contained a second section of examples of journals and entries in use at the time. The book was the first of its kind to detail the use of a trial balance statement. The French translation of his book, also printed in 1543, was the first of its kind in the language and spread accounting knowledge even farther (Brown, 1968). These books, however, were not double-entry bookkeeping’s introduction to Britain. The double-entry system could be found earlier in that century, as evidenced by a ledger kept by Tomas Howell, a member of the Worshipful Company of Drapers. The Ledger, started in 1522, was in the libro reale vecchio style of narrative entries and paired ledger pages (Kojima, 1995).

Twenty years after the Ledger, bookkeeping was gaining modern attributes and developing swiftly because of changes in the business environment. The Venetian trading ventures could not accommodate the increased trade of the 17th century and were replaced with the newly created limited liability corporation. The rapid colonisation of newly discovered lands in the Americas and Africa pushed trade levels higher. High demand for exotic goods, such as tobacco, maize, and tomatoes, attracted many businessmen to trading ventures, which soon grew too large for the old business model to manage. As ventures expanded to include several agents and principals under the same banner, each agent had to keep separate accounts for each principal for which they traded. These ventures were a natural predecessor of the modern corporation (Irish, 1947).

The first corporations of Britain could only be created under the Crown’s authority, through the bestowing of a charter. Perhaps the most well-known chartered company was the East India Company (EIC), which was created in 1600. The EIC, and the many like it, were trading monopolies backed by the Royal seal of approval. The Crown preferred such corporations over many different groups of individual trading ventures, for reasons that included the ease of taxing one collective entity, lower investor risk, and the entity self-policing its members (Day, 1922). These chartered enterprises offered the benefit of mutual association with limited liability, which attracted many investors who had lower risk tolerance than investors of the past (Irish, 1947).

During the 17th century, accounting began to incorporate many concepts similar to modern-day US GAAP. The going concern assumption, known as the ‘deathless corporation’, began in 1613 when the EIC stopped its practice of issuing terminal stock (Irish, 1947). When EIC received a new charter in 1657, the corporation allowed stock transfers without complete liquidation of the investment. These practices led to the separation of the sources of income, capital investment versus operating income, and proportional receipts of distributed earnings, which necessitated the creation of highly detailed financial statements.

The smokestacks and machinery of the Industrial Revolution initiated the growth of the modern corporation. Large amounts of capital were needed to build manufacturing plants; thus, large numbers of investors were needed. The reliable return from production and the ability to more easily comprehend returns were attractive to investors. The investors, that is, stockholders, could typically see the businesses and factories they had financially backed being built in nearby cities, which was more appealing than financially backing an unknown trader in a far off land.
Several economic crashes, such as the South Sea Bubble of 1720, caused the UK’s Parliament to enact strict Companies Acts. Such laws brought accounting principles into national spotlight. Both the national government and investors wanted extra protection against the exaggerated financial income that was associated with previous economic troubles. Conservatism in accounting resulted from the increased legal attention to protection of both the corporation and stockholders (Irish, 1947).

In the late 19th century, the development of accounting shifted away from Britain and toward the USA. This was largely because of the business entity view of business that had begun to form. With the increasingly complex laws and investor pool, corporations were regarded as separate from their stockholders. Supporting this change was a landmark British company law case, which occurred in 1896, Salomon v Salomon & Co Ltd. In this case, the House of Lords rendered a unanimous that strongly upheld the doctrine of corporate personality, as defined by the Companies Act of 1862, in which creditors of a bankrupt company could not sue a company’s stockholders to personally pay for the company’s unpaid debts (United Kingdom, 2016).

Some English businessmen negatively viewed the shift from the personality of proprietorship to the impersonality of the corporation (Irish, 1947). In the USA, however, there was not the same tradition of the proprietorship theory of business and the newest form of corporation was well received. While Britain was affected by its earlier accounting tradition, the new approach was quickly embraced throughout the USA. This may be one reason that modern accounting and the corporate structure became such a strong cornerstone of American life.

The growth of the business entity assumption dramatically changed the presentation of financial statements. There grew an increased focus on the income statement. As stakeholder groups grew larger, financial statements changed in form and substance to best serve these stakeholders. In the UK, the English Act of 1929 required companies to properly classify the types of assets, liabilities, and expenses they reported. Additional Companies Acts were enacted in the 1900s, many of which responded retroactively to either socioeconomic downturns or corporate scandals. Many other countries passed similar laws for similar reasons. As laws continued to be created, the accountant’s duty focused on providing necessary explanations to management and helping companies implement new regulations (Irish, 1947).

During modern times, there emerged important professional accounting organisations, such as the Institute of Chartered Accountants of Australia (in 1928) and regulatory bodies such as the US SEC (in 1934). Such groups were formed in many countries, starting as early as the late 1800s. Coming into the 21st century, accounting continues to develop. With different laws and traditions in each country, different sets of standards were created. The US continues to follow its own GAAP, which is different from the International Financial Accounting Standards (IFRS), now used in over 120 other countries. With the rise of globalisation, the focus of accounting is no longer on just one company in one market, but on an international level.

7 The expanding role of women in modern accounting

During the modern era, women began playing a key role in the accounting profession. In the USA, for example, New York State awarded the first Certified Public Accountant certificate in 1896. Just three years later, in 1899, Christine Ross of New York became
The advent of accounting in business governance

The first woman CPA. More than 100 women were CPAs by the 1930s. According to US Census Bureau statistics for 1940, in that year, women held 18,265 accounting and auditing positions. In 1950, women held 55,660 accounting and auditing positions. In 1977, women comprised 28% of all graduating accounting majors (Feucht et al., 2009). In Scotland, one of the nation’s first female chartered accountants, Helen Lowe, departed her training firm to establish her own accounting practice in 1928. Lowe managed this practice for almost seven decades (Jeacle, 2011).

Starting in the 1970s, the role of women in the profession began to dramatically increase, both in accounting practice and in academia. By the 2010s, women became a majority of accounting graduates, making up 52.6% of bachelor’s degrees, 53.9% of master’s degrees, and 69.2% of doctoral degrees (Catalyst, 2013). Women increasingly hold top management positions in public accounting firms and in corporate accounting. The increasing role of women in accounting includes the academic field. According to a study of the top 25 accounting programs, women have increased their share of accounting faculty positions, going from about 20% of faculty positions in 1994 to about 32% of all faculty positions in 2007, which includes 47% of assistant professors (Smith et al., 2013).

In 2014, Olivia Kirtley became the first woman to serve as President of the International Federation of Accountants (IFAC), the world’s largest professional accounting organisation, representing about 2.5 million accountants in public practice, industry, education, and government service (AICPA, 2014). Previously, Kirtley had been the first woman to serve as Chair of the American Institute of CPAs, the largest professional accounting organisation in the USA. Kirtley had previously served as President of the Kentucky Society of CPAs (Craig, 1999). Another woman, Leslie Murphy, became Chair of the American Institute of CPAs in 2005. Murphy alluded to the profession’s strong support of work-life balance, when she expressed that her most important achievement was the loving relationship built and sustained with her husband, children, and grandchildren (Baldiga, 2005). Hass (2002), a woman accounting professor, reflecting on a 30-year career in practice and academia, made the following observation:

“Would I do it over again? You bet. As a CPA and an accounting professor, I’m a member of a profession where women were treated as equals before it was the trendy thing to do. Accounting is fun, it’s challenging, stimulating, and always changing. What more could I want?”

The increasing role of women in accounting, as well as business in general, has benefited the accounting field. Prior studies regarding gender differences and gender theory indicates that men and women frequently bring different outlooks to accounting and business processes, outlooks that are distinctive but that are both extremely useful (Ariail et al., 2012). According to Feucht et al. (2009), by obtaining both gender perspectives on accounting and business problems, the result is a more comprehensive analysis and synergistic outcome. For example, in a study of auditors, female auditors were found to be less inclined to the practice of low balling (Neidermeyer et al., 2003). Another study found that male auditors show a greater probability of responding in an ethical way to a suspicious client activity that indicates inventory manipulation (Smith and Rogers, 2000). Thus, these studies indicate the benefit of having both gender perspectives, male and female, on an audit team. One gender may be inherently sensitive to issues that the other gender overlooks.
8  Ever-present role of trust in accounting

From the beginning of accounting to the present day, accountants by necessity must be among the most trustworthy of people. In addition to technical expertise on a myriad of accounting and business issues, accountants must have superb moral judgment and personal integrity, which are hallmarks of the accounting profession (Smith, 2003). The personality profile of a typical accountant includes a strong sense of right and wrong, devotion to professional duty, and placing the public’s interest ahead of personal interest (thus, the title Certified ‘Public’ Accountant). Article I in the ethics code of the American Institute of CPAs states: “In carrying out their responsibilities as professionals, members should exercise sensitive professional and moral judgments in all their activities” (AICPA, 2015).

Table 2  Religiosity of United States University Professors in the largest 20 academic fields

<table>
<thead>
<tr>
<th>Academic field</th>
<th>Know God really exists and have no doubts about it</th>
<th>Atheist</th>
<th>Other*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>63.0</td>
<td>7.4</td>
<td>29.6</td>
</tr>
<tr>
<td>Elementary Ed</td>
<td>56.8</td>
<td>0.0</td>
<td>43.2</td>
</tr>
<tr>
<td>Finance</td>
<td>48.6</td>
<td>8.6</td>
<td>42.8</td>
</tr>
<tr>
<td>Marketing</td>
<td>46.5</td>
<td>20.9</td>
<td>32.6</td>
</tr>
<tr>
<td>Art</td>
<td>45.0</td>
<td>10.0</td>
<td>45.0</td>
</tr>
<tr>
<td>Criminal Justice</td>
<td>44.4</td>
<td>9.3</td>
<td>46.3</td>
</tr>
<tr>
<td>Nursing</td>
<td>44.4</td>
<td>1.9</td>
<td>53.7</td>
</tr>
<tr>
<td>Economics</td>
<td>44.2</td>
<td>23.3</td>
<td>32.5</td>
</tr>
<tr>
<td>Management Information</td>
<td>40.0</td>
<td>2.9</td>
<td>57.1</td>
</tr>
<tr>
<td>Electrical Engineering</td>
<td>38.1</td>
<td>2.4</td>
<td>59.5</td>
</tr>
<tr>
<td>Computer Science</td>
<td>37.5</td>
<td>21.9</td>
<td>40.6</td>
</tr>
<tr>
<td>Business</td>
<td>30.6</td>
<td>2.8</td>
<td>66.6</td>
</tr>
<tr>
<td>Sociology</td>
<td>28.6</td>
<td>17.9</td>
<td>53.5</td>
</tr>
<tr>
<td>History</td>
<td>28.3</td>
<td>9.4</td>
<td>62.3</td>
</tr>
<tr>
<td>Communication</td>
<td>26.7</td>
<td>11.1</td>
<td>62.2</td>
</tr>
<tr>
<td>English</td>
<td>22.2</td>
<td>13.0</td>
<td>64.8</td>
</tr>
<tr>
<td>Biology</td>
<td>21.6</td>
<td>27.5</td>
<td>50.9</td>
</tr>
<tr>
<td>Political Science</td>
<td>20.8</td>
<td>22.9</td>
<td>56.3</td>
</tr>
<tr>
<td>Mechanical Engineering</td>
<td>17.7</td>
<td>44.1</td>
<td>38.2</td>
</tr>
<tr>
<td>Psychology</td>
<td>13.0</td>
<td>50.0</td>
<td>37.0</td>
</tr>
</tbody>
</table>

Average 35.7 15.4 48.9

Note: *Other answers include believe but have doubts, believe in God sometimes, believe in higher power, agnostic, and no answer.

Source:  Taylor (2012)
The advent of accounting in business governance

The foundations of moral values are often traced to religious roots, so it is no surprise to find in top-level accounting research that religiosity has been shown to have a positive effect on accounting-related matters such as reducing fraudulent financial reporting (McGuire et al., 2012) and tax compliance (Boone et al., 2013). Research has shown that accounting professors are the most religious faculty group among the largest 20 academic fields, as measured by bachelor degrees awarded, with 63.0% of accounting professors indicating that they have no doubt that God exists, compared to 35.7% of all professors (Gross and Simmons, 2009). Table 2 shows the level of religiosity of professors.

From a trust standpoint, accountants are one of the most highly regarded professions by the public. A Gallup Poll listed accountants as the eighth most trusted profession in the USA, with nursing at the top and lobbyists at the bottom. Accountants scored high/very ratings from 38% of the public and average ratings from 51% of the public; only 8% gave low ratings (CPA Trendlines, 2008). An Australian survey showed a similar high ranking for accountants in that country (Kimmorley, 2015). Table 3 shows the US and Australian rankings.

Table 3  Ranking of professions on honesty and ethics

<table>
<thead>
<tr>
<th>Rank in US</th>
<th>Profession</th>
<th>Very high or high (%) in US*</th>
<th>Very high or high (%) in Australia**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nursing</td>
<td>84</td>
<td>92</td>
</tr>
<tr>
<td>2</td>
<td>Pharmacists</td>
<td>70</td>
<td>84</td>
</tr>
<tr>
<td>3</td>
<td>High school teachers/school teachers</td>
<td>65</td>
<td>78</td>
</tr>
<tr>
<td>4</td>
<td>Medical doctors</td>
<td>64</td>
<td>84</td>
</tr>
<tr>
<td>5</td>
<td>Clergy</td>
<td>56</td>
<td>39</td>
</tr>
<tr>
<td>6</td>
<td>Policemen</td>
<td>56</td>
<td>69</td>
</tr>
<tr>
<td>7</td>
<td>Funeral directors</td>
<td>47</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Accountants</td>
<td>38</td>
<td>45</td>
</tr>
<tr>
<td>9</td>
<td>Journalists</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>10</td>
<td>Bankers</td>
<td>23</td>
<td>34</td>
</tr>
<tr>
<td>11</td>
<td>Building contractors</td>
<td>22</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>Lawyers</td>
<td>18</td>
<td>31</td>
</tr>
<tr>
<td>13</td>
<td>Real estate agents</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>14</td>
<td>Labor union leaders</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>15</td>
<td>Business executives</td>
<td>12</td>
<td>18</td>
</tr>
<tr>
<td>16</td>
<td>Members of congress/parliament</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>17</td>
<td>Stockbrokers</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>18</td>
<td>Advertising practitioners</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>19</td>
<td>Car salesmen</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>20</td>
<td>Telemarketers</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>21</td>
<td>Lobbyists</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td><strong>32</strong></td>
<td><strong>38</strong></td>
</tr>
</tbody>
</table>

Source: *CPA Trendlines (2008)
In the current day, critical contributions are made to business and society by accountants working in governmental and not-for-profit organisations, by external auditors in public accounting firms, and by management accountants and internal auditors working for industry firms. The work of modern-day accountants involves a diverse range of activities, such as auditing (Tervo et al., 2013; Warren and Smith, 2006; Wiggins and Smith, 1987), measuring corporate financial health (Martin et al., 2016), complying with tax laws (Lassila and Smith, 2012; Smith et al., 2011b; Lassila et al., 2010), enhancing corporate reputation (Smith et al., 2014b, 2010), facilitating ethical behaviour (Linnhoff et al., 2014a; Smith, 2003; Kerr and Smith, 1995), preventing earnings management (Rodriguez et al., 2015), new technologies (Hunter and Smith, 2009; Kratchman et al., 2008; Smith, 2008), protecting the environment (Blazovich et al., 2013; Ashcroft and Smith, 2008), employee salaries (Blazovich et al., 2014), developments in accounting standards (Grossman et al., 2013; Reineking et al., 2013; Smith, 2012; Sagafi-nejad et al., 2010), impact of culture (Johns et al., 2003), security concerns and criminal activity (Mulig et al., 2014; Stambaugh et al., 2012; Smith et al., 2011a), facilitating employee work-life balance (Linnhoff et al., 2015, 2014b), and stopping human trafficking in corporate supply chains (Martin and Smith, 2015; Linnhoff et al., 2014a; Smith et al., 2014a).

9 Conclusions

Developments in the field of accounting can be framed within the context of social theory and within the subset of profession formation theory. The formation of the accounting profession includes both formal and informal processes, and value systems that guide the process of a person becoming an accountant. All professions, including accounting, have three basic components:

1. a generally accepted body of knowledge
2. a widely recognised standard of attainment
3. an enforceable code of ethics.

These three components developed over time and remain in a state of change, as accounting standards evolve to meet the needs of the modern marketplace.

The advent of accounting is an intriguing part of the history of the world. The origin of accounting can be traced back to the beginning of human civilisation. From the scribes of ancient Mesopotamia to the internal control concepts described by the Apostle Paul in the Bible, from the Friar Pacioli’s landmark book published in Renaissance Italy to the work of modern-day accountants employing the latest technology, accounting remains a work in process. The activities of accountants play vital roles in business governance, including corporate financial reporting, internal auditing, public accounting, and in the governmental and not-for-profit area of practice.

Understanding the history of accounting is important as it reveals the important contributions that the field has made to the development of business and civilisation. As accounting developed, the efficiency and effectiveness of business operations improved, thus facilitating the development and growth of national economies. A fundamental purpose of accounting has remained constant throughout history: to serve as a test of stewardship or accountability of those trusted with financial resources. While standards
and technologies have changed over the centuries, this core business governance role of accounting has stayed the same.

10 Limitations and future research

This paper is limited by the historical events presented. There are other events in world history that have had significant effects on business and the practice of accounting; these could be examined in future studies. The study is also limited by its focus on the core business governance role of accounting, that is, its test of stewardship or accountability of business managers; future studies could examine other aspects of accounting such as its role in financial planning and tax compliance.

Acknowledgements

The authors express their sincere appreciation to Dr. Don Chamberlain, an exemplary accounting department head, who strongly supports research by faculty members and students, and the collaboration between the two.

References


The advent of accounting in business governance


