

## Ancient and Contemporary Events in Development of Accounting: Historical Impacts in Accounting, Yesterday and Today

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**Abstract:** This study explored antediluvian and contemporary developments in human history and critically scrutinized their impacts in chronological developments of accounting. Considering the fact that the study is theoretically designed, it is therefore considered as literature based. The research design adopted is an explanatory research design. Secondary data is used and sources of information include text books, journals and other related materials in existence taken on in explaining the research variables. The study revealed some prehistoric phenomenal events that have influenced accounting techniques and horizon over the decades or centuries. Equally demystified are some contemporary happenings around the globe such as technology advancement (among others) that have orchestrated globalization with its attendant accounting responses such as the emergence of International Financial Reporting Standards (IFRS). How such developments have shaped accounting as a field of study is highlighted. It equally brought to limelight the import of each of the significant prehistoric and contemporary happenings in relation to how such developments have shaped accounting. It was discovered that accounting as a field of study has antediluvian origin and it has kept evolving even till date. The study concluded accounting cannot be alienated from the wide range of prehistorical developments (both ancient and modern) in our environment because they have a way of forcing accounting as field of study to metamorphose and this has made accounting sciences highly dynamic. The paper established that accounting developed purely in response to the needs of the time orchestrated by changes in the environment and societal demands. At some other points, the development of the science of accounting has itself driven the evolution and development of commerce since it was only through the use of more precise and clear-cut accounting techniques that modern business was able to grow, thrive and respond to the needs of its owners and the public. It is therefore recommended that academics and professional accountants should be well informed of the dynamic nature of accounting with a view to being on the alert in order to respond timely and appropriate to up-and-coming challenges technologically, economically, politically and otherwise that may confront accounting.

**Keywords:** Luca Pacioli's Double Entry System, Antediluvian and Contemporary Events, Civilization and Human Activities, Globalization and IT, Industrial Revolution.

## INTRODUCTION

Accounting is characterized by many antediluvian (prehistoric) and modern events thereby giving the discipline a unique foothold. As aptly opined by Aristotle, 'if you would understand anything, understand its beginnings and development'. In the light of the above therefore, it is worthwhile to demystify some of the historical events that had made tremendous impacts in the development of accounting. As observed by Ihendinihu [1], accounting has ancient and noble ancestry, evolving slowly over centuries to meet the transaction needs of the time. It has been noted

that many historical events dated back to thousands of years and current events have influenced the growth of accounting as a field of study. Undoubtedly, with time future occurrences will further shape accounting destiny. Each of the phenomenons that had happened within the environment and around man has influenced the accounting world directly or indirectly. It said to be direct when the incident has express influence to the field of study. Take for instance, the increase in human activities as a result boost in agricultural and commercial activities orchestrated the need for accurate record keeping of events and transactions. In other

words, increase in human activities prompted the need for improved record keeping-accounting system. Indirect influence of events is seen as a situation where improvement in a given variable or setting necessitate an advancement in accounting world. A good example is advancement in Information and Communication Technology (ICT) which has prompted the development of varying accounting software with their attendant impact in accounting.

As observed by Alexander [2], accounting has a history that is usually discussed in relation to one influential event which is the invention and dissemination of the double entry bookkeeping processes. But a view of accounting history that begins with Luca Pacioli's contributions ignores a long evolution of accounting systems in ancient and medieval times hence the need to explore such events here. A pertinent question revolves on why we ought to study some ancient and current events as they relate to the development and advancement of accounting. Alexander [2], argues that a peep back into this era would be of assistance to enlighten our past in general. He argues further that the forceful rationale is to help give explanation as regards the extraordinary growth that the accountancy profession has enjoyed globally since the first royal charters were granted to the Society of Accountants in Edinburgh less than 150 years ago. To be considered as well would include those ancient medieval developments before the first Royal Charters were granted.

It must be pointed out that culture is one factor that has influenced accounting profession taking a look at China. SOLAŞ and AYHAN [3], revealed that the evidence from literature also shows that though the government regimes were changed and economical styles were changed in China, the influence of the characteristics of culture survived in accounting. For instance Yin-Yang polarity is still used for balanced Chinese accounting; however, private sector actions have decreased the number of state-centred businesses and firm. Chinese economic logic has transformed to the market-oriented model practices, but Chinese mysticism keeps its place through the whole land of the People's Republic of China.

Besides, 50 years following the surfacing of formal study of the profession, 6,000 professional chartered accountants came on board in 1904. In 1957, there were 38,690 chartered and incorporated accountants (Scottish, British and Irish). Today, the Institute of Chartered Accountants in England and Wales alone enjoys a membership of over 120,000 globally in addition to many professionals accountants in other nations around the globe.

Accounting history is much intertwined with human commerce, and even more fundamentally, of

writing and the use of numbers and counting not that of chemical reactions and evolution as obtainable in sciences. Two schools of thought exist as regards the development of accounting. One argues that that accounting developed purely in response to the needs of the time orchestrated by changes in the environment and societal demands. The other claims that the development of the science of accounting has itself driven the evolution and development of commerce since it was only through the use of more precise and clear-cut accounting methods that modern business was able to grow, thrive and respond to the needs of its owners and the public. Whichever way, the history of accounting throws a light on various antediluvian and current monumental events that have influenced the development of accounting and how such occurrences may help us better predict what is on the horizon economically via accounting continuous advancement even as events keep unfolding globally. Unequivocally, advancement in accounting would escalate the pace of global business evolution hence the need to bring to consciousness those events to enable economies and investors be on the alert and in the know.

This study therefore aims at revealing phenomenal events –ancient and current and how they have influenced or shaped the destiny of accounting till date to enable professional accountant and academics in accounting to be on the alert against future events that would affect the profession. In lieu of the foregoing, it is therefore pertinent to discover and bring to limelight ancient and recent phenomenal events responsible for the development and advancement of accounting and how they have influenced the discipline and what such developments portends to accounting in the nearest future.

### **Conceptual Framework and Conceptual Issues The Creation of Man**

From the Biblical perspective in the Christendom, in fact, proper recording of events and transactions can be traced to the creation account where Adam (the first man created) was made the steward of all creatures. The Bible book of Genesis chapter 1 account of the seven days creative work of God is probably the first evidence of record keeping [1]. This is a major event, though biblical that marked the origin of record keeping -in this case accounting [4]. Besides, the Bible in Genesis chapter 13 verse 2 and chapter 24 verse 35 reports Abraham, one of the patriarchs as being richly blessed in flocks, herds, silver and gold; suggesting that he had account of his wealth- the nature and form of record notwithstanding [1].It can be inferred that God's account of creation as recorded in the Bible is a landmark event regarding record keeping-accounting.

### **Increase in Human Activities in the area of Agriculture and Commerce through civilization.**

The increase in human activities as regards agriculture and commerce enhanced through the invention of writing and the use of numbers and counting contributed immensely to the historical development of accounting. Accounting is dated back to civilization which can be traced at least as far back as the ancient Sumerians, Egypt and Babylonia. Note that civilization is characterized by literacy, technical, social and political developments and so civilization brought boost in human activities through the enhancement of literacy, numeracy technical, social, economic and political developments with corresponding effect in nature and scale of businesses and subsequent improvement in recording system- book keeping to provide detailed, accurate and standardized information to take care of diverse needs of users of accounting information.

Five thousand years about 3500 B.C, in Mesopotamia, before the emergence of double entry, civilization was booming in Assyria, Chaldean in Babylonian and Sumerian all in the Mesopotamian Valley. It was within these regions that some oldest known records of transactions and commerce were found. Within these areas between the Tigris and Euphrates Rivers, at the present, predominantly within the boundaries of Iraq, periodically, flooding made the valley mainly rich area for agriculture as a result of accumulation of manure. Consequent upon the fertility of the region, farmers prospered, service businesses and small industries that used allied products developed in and around Mesopotamian Valley. Besides, Sumerians showed us the first business contract, the first credit system and value system. Egyptian scribes (clerks) used to keep to keep records of prices and costs, of profit and loss and examine income tax returns for reporting to the rulers [4]. The emergence of banking firm in Mesopotamia, employing standard measures of gold and silver, and extending credit in some transactions equally ensure accurate record keeping thereby taking the then rudimentary method of record keeping (accounting) to the next level.

In the beginning, business was very simple and transactions were so few that man could keep in memory all the business transaction i.e. he could remember all these transaction and how they happened. As business grew complex and transactions multiplied, human memory failed to retain and recall the sequence of transactions in terms of date and amount involved. Business started noting down these transactions in all available places such as walls, skins, clay, stones, papyrus and later in books for the fear of forgetting them. As noted by Kytal '*palest ink is better than strongest memory*' [4].

As transactions grew more complex, in response, there arose the need to keep accurate record of transactions hence the engagement of scribes who were comparable to today's accountants. The scribes, in addition to documenting transactions, ensured that the agreements complied with the detailed system required for commercial transactions.

The principles of accounting adopted in the ancient era were the Charge and Discharge systems [1].

### **The Charge System**

Under the Charge system accounting a steward records the value of assets such as cash and goods et cetera given to him at the beginning of the period by the owner of such assets. He also records the value of any additional assets acquired on behalf of his master (Feudal Lord) during the period. Consequently, the steward takes responsibility of assets maintaining custody, safety and accurate reporting of all assets entrusted to his care and the assets acquired on behalf of the master.

### **The Discharged System**

The discharge system ensured the steward maintains records of those assets duly disbursed on behalf of the owner (Feudal Lord) and any assets which the owner or the master withdrew from the stewards during the period. The steward is consequently freed of the liabilities of those assets so expended or withdrawn. At the end of the period, the liability of the steward to the owner is limited to the value of the assets charged (assets acquired) less the values of discharged assets (assets expended). Therefore, Charged Assets less Discharged Assets equals Liability of stewards to the master.

### **The discovery, invention of the double entry system of book-keeping**

The invention and dissemination of the double entry bookkeeping processes by an Italian Monk called Luca Pacioli in 1494 in his famous treatise translated in many languages was another breakthrough in the development of accounting. Though a book on Mathematics, a portion of it Treatise -SUMMA DE ARITHMETICA GEOMETRICA PROPORCIONALI ET PROPORCIONALITE meaning everything about arithmetic, geometry, was dedicated to book-keeping [5] in [1]. Luca Pacioli clearly stated that every transaction affects the buyer and the seller. According to him for proper information, the effect of every transaction must be recognized in two aspects. *To every Debit there must be a corresponding Credit and to Every Credit there must be a corresponding Debit.* He developed a thirty-six chapter-DECOMPUTIS ET SCRUTURIS on bookkeeping as practiced in Venice, which is 'of recordings and writings'. Though Luca Pacioli is called the father of modern accounting owing to his dissemination of double system of bookkeeping,

he recognized Benedetto Cotrugli as the one who originated the double entry method. These chapters formed the basic the foundation of the double-entry accounting that spread throughout Europe and later into the United States. Pacioli provided a practical representation for recording and summarizing business transactions. Business continuity under the corporate form aroused the formulation of accounting theory. Emergence of accounting theory, tax regulations, and court decisions transformed the original accounting model, but Pacioli's s double-entry structure still influences business throughout the modern world [6].

In 1804, this technique was printed and translated into many languages. In this text, Luca Pacioli described three main recording books, viz.; (i) the memorial (Memorandum or waste Book) - Chronologically written items to help the memory. This book provided necessary raw materials/inputs for accounting (ii) the Journal (iii) the Ledger

The functions of both the journal and the ledger then are the same as in modern methods of book-keeping, though the size and scope of the transactions was limited to the system of business organizations that were in existence [1]. Sole proprietorship was dominant in the Middle Ages and later developed to partnership and joint venture business.

According to Bedford and Ziegler [7], A.C Littleton, an accounting scholar explained seven key ingredients why double entry bookkeeping developed in 14th century Italy instead of ancient Greece or Rome, which eventually led to its creation. They are as follows:

- (a) Private property: The authority to alter ownership, because bookkeeping is related to recording the facts about property and property rights.
- (b) Capital: Wealth fruitfully employed, or else commerce would be petty and credit would not come into existence.
- (c) Commerce: The exchange of goods on extensive level since local trading in small capacity would not generate the kind of push of business required to stimulate the creation of an organized system to swap the existing hodgepodge of record-keeping.
- (d) Credit: The present use of future goods, because there would have been little impetus to record transactions completed on the spot.
- (e) Writing: A mechanism for making a permanent record in a common language, given the limits of human memory.
- (f) Money: The ordinary denominator for exchanges of goods and services, because there would not have been any need for bookkeeping except as it reduces transactions to a set of monetary values.
- (g) Arithmetic: A means of computing the monetary details of the deal

### **Industrial Revolution of 18<sup>th</sup>/ 19<sup>th</sup> Century**

The Industrial Revolution of England was another landmark event in the history of trade and commerce. Obi and Ojo [4] observed that Industrial Revolution led to great increase in the volume of production due to the use of more capital and average trader was compelled to combine in partnership with others. Within this are, there was a drift from labour intensive method of production to capital intensive mode of production consequent upon the introduction of machines to aid in production of goods and services- a development that generated explosion in terms of volume of production. Consequently, big enterprises in form of partnership firms and joint stock companies were formed.

As put forward by Ihendinihu [1], increased scale of business and the resulting complexities in the nature of business transactions occasioned by the Industrial Revolution created the need for the system to provide more detailed, accurate and standardized information to cater for the diverse needs of users of accounting information. In response, professional accounting bodies were formed in various part of the world to regulate the code of ethics and standards of performance of accountants with a few to respond to challenge posed to accounting by the increased scale of business and emergence of new forms of businesses such as partnership and joint venture operations. The growth of business before and after the industrial revolution and subsequent formation of accounting professional bodies brought about improved accounting system.

### **Emergence of Accounting Professional Bodies**

In response to the increase in the volume and complexities of business, professional accounting bodies were formed in various part of the world to regulate the code of ethics and standard of performance of accountants to effectively ensure accuracy and standardization of accounting information to meet the needs of the users as well as encourage further research in the field. In 1854, a Royal Charter was granted to the Scottish Society of Accountants in Edinburgh, and its members became the first Chartered Accountants. In 1880, the Institute of Chartered Accountants of England and Wales was formed while the American Association of Public Accountants was launched in USA in 1887.

Since then, there have been various accounting professional bodies globally that have been formed globally to enhance further development of accounting in terms of regulation of standards of practice, entrenchment of code of ethics, enhancement of skills of accountants, encouragement of research in the field, promotion of competence and integrity of accountants.

It must be noted that that despite the emergence of professional accounting groups from the mid 1800s, it took nearly a century for their impact to be felt in the development of the subject [1]. As observed by Nwoko [8] in Ihendinihu [1], there was almost no attempt until lately, to build up a stream of principles and theory to steer the course of action and practice of the profession. He recognized certain factors as being accountable for this unfavourable state of affairs, with the contributory factor being directly traceable to Pacioli's way of presenting the principles of bookkeeping which necessitated the rote, rather than by principles.

**Three Major Events that Shocked the World namely: (i) First World War (1914-1918) (ii) World Great Depression (1930's) (iii) Second World War (1939-1945)**

Ofurum, Egbe and Micah [9] are of the view that these major world events brought about economic integration of the world and increased cross-border capital flows thus initiating convergence of accounting standards through the introduction of International Financial Reporting Standards (IFRS). While companies were faced with a cut-throat competition after the Industrial Revolution with producers becoming cost conscious as it became necessary to produce at the lowest cost hence the development of 'Cost Accounting', the era after these world major events forced management to become more conscious of the future and this led to the development of Managerial Accounting as financial accounting, being historic in nature could not help companies plan for the future. Management is more troubled of the future and has been termed part of Cost Accounting [4]. These were monumental developments and advancement in accounting development

**Advancement in Technology**

Technological advancement encouraged knowledge explosion and further advancement in accounting. Ibrahim and Kazeem [10] noted that the introduction of Micro and Mini computers has brought enhanced performance in accounting information system but the fundamental principles remain unchanged. Information Technology (IT) has really brought breakthroughs in this field through the invention of accounting software such as QuickBooks, Sage Evolution, Microsoft Accounting Navision, Enterprise Resource Planning (ERP) et cetera. Nowadays, all one needs to do is to master the basic principles guiding postings of transactions and so same on the accounting package with ease. When postings are done, one simply presses or clicks a button and various accounts are automatically prepared with accuracy.

**Globalization and Adoption of International Financial Reporting Standards (IFRS)**

Globalization is defined as the process of going to a more interconnected world in many aspects of life- business, technology, politics etc. Consequent upon the advent of globalization through Information Technology et cetera, the falling of the erstwhile herculean trade barriers between nations, and more recently the much awaited response to the global financial crisis, together with the call by world leaders, things have changed dramatically and tremendously in terms of preferred set of standards of accounting worldwide. The accounting/financial world is seriously considering using a single set of accounting and financial reporting standards that would be used by most, if not all the nations around the globe. The name of the set of global accounting standards is International Financial Reporting Standards (IFRS) [9].

In fact this is a contemporary issue in accounting at the moment. IFRS seeks to collapse or harmonize varying accounting standards of various nations into a single entity where a set of accounting standards would be adopted and practiced worldwide thus making the understanding, comparison, interpretation, reporting of financial statements effective and easier. With the adoption of IFRS in 2002 and its implementation in 2005 by over 8,000 companies including France, no doubt sooner than later, it would be completely generally adopted world over. If accounting is the single language of business, it goes therefore that all going concerns worldwide should speak one single language of accounting through the adoption of a single standard in the preparation of financial statement. Comparability of financial reporting which IFRS offer is the underlying rationale for convergence towards a single set of standards. The anticipation that the effectiveness and competitiveness of global financial markets is made possible by convergence to IFRS must strengthen and validated by systematic empirical investigation in different countries and jurisdictions [11].

**THEORITICAL FRAMEWORK**

The theories hereunder are relevant to concept under study and are as follows:

**The Personification Theory**

Filios [12], observed that according to personification theory, as early as the second half of the 16th century the first signs of the personification of accounts appeared. The personification theory is based on the concept of debiting and crediting by fictitious persons. The thought behind this method of reasoning is clarified by the following examples. Quoting De Morgan verbatim 'If the student finds that it helps him, he may imagine a clerk to every account-one to take charge of, and regulate the actual cash.' Collier also pointed out that with such an example the whole

business is supposed to be carried on by clerks. There is supposed to be a clerk called Capital or Stock who represents the owner of the business (or the firm). There is supposed to be a clerk called Goods who takes charge of the merchandise. All transactions were completed by these clerks. Each transaction involved a clerk who received a certain amount and one whose position gave up the same amount. S. Dyer referred to this the 'the common sense of double entry'. Pacioli, who stands at the beginning of the accounting literature, did not use the terms debiting and crediting when journalising, but rather the terms 'per' and 'a' in accordance with common practice in Venice; these terms cannot be translated. The translators and interpreters of Pacioli reached back to the Italian words 'debito' and 'credito'; However, these terms refer exclusively to receivables and debts of persons. Because of this translation, the personification aspect was present at the very beginning. Whenever Luca Pacioli mentions 'per' cash, the translator writes, 'debit' cash, or in the publication, 'the cash owes' as if cash were a person.

### Personalistic Theory

As Filios [12] puts it, in the personalistic theory, it is emphasized that an account represents personal relationships, claims and debts of real or fictitious persons. The personification of an account was the early attempt to define and analyze the content and role of accounts in economic life. That is why it was named 'the classical theory'. It was used in the teaching of accounting for a long time because of its simplicity. Personification facilitated the teaching of accounting in France during the 18th and 19th centuries. In Italy, Marchi revived personification in 1830. This pedagogical device caused books on accounting with a scientific basis to become very popular among bookkeepers of the time. One such book was L. Barrachin's, *Théorie de la Comptabilité en Parties Doubles par un Mathématicien*, published in 1888. Barrachin assigned the letter "M" (Monsieur) to every account: M. Capital, M. Balance, M. Frais Généraux etc., debiting and crediting persons. According to Pierre Garnier, (*La Méthode Comptable Traité de Comptabilité Générale*, first published in 1940), it marked the apogee of classical accounting as conceived by Pacioli.

### Personification in One Set of Accounts Theory

Exposition in one set of accounts (Einkontentheorie, Unicontistes) believed that an enterprise was a 'person', and the management of each asset and each liability assigned to a particular manager. There was only one set of accounts—the accounts of the enterprise. The account of each manager was debited with what he received for (from) the enterprise and was credited with whatever he gave (for) it. Thus, managers received the assets of the enterprise for which they were debited, and gave the enterprise the capital they received from the owner-entrepreneur and the

loans that were provided by creditors-lenders, for which they were credited. Conversely, managers were credited with whatever asset was given up and debited with whatever was returned to the capital-owner and the creditors-lenders. There was only one posting rule—debit him who receives and credit him who gives. The owner-entrepreneur was a creditor of the business for his paid-in capital and the profit, on the one hand, and a debtor for the losses, on the other. In Holland the main exponent of this view was N. Brenkmann, a Rotterdam merchant who was also the first to write about entity theory in his 1882 textbook. In France, support was given to this view by the then famous economist and writer of accounting books, Jean Gustave Courcelle-Seneuil (1813-1892), who presented in his book, *Cours de Comp-tabilité*, all the analytical peculiarities involved together with his comments [12].

### Other related views include

#### Personification in Two Sets of Accounts Theory

In this version, the accounts included the accounts of the entrepreneur, namely the capital and profit and loss accounts, and the accounts of the manager or the enterprise, and accounts for stocks of goods and cash. In the first set, profits, since they were capital increases, were credited to the entrepreneur and losses, debited.

#### Personification in Three Sets of Accounts Theory

The three sets were: 1.Accounts of the Capitalist-(Comptes-duCapitaliste) 2. Accounts of the Manager or of Values (Comptes du Gérantou-des-Valeurs).3. Accounts of Third Parties (Comptes des Tiers ou des Correspondants).The first included the capital and profit and loss accounts, the second the accounts of things and the third, the accounts of debtors, creditors, agents, etc. (personal accounts). Thus, de Graef, who belonged to this school of accounting thought, divided accounts into the following corresponding groups:

- Account of the Merchants as a person: Capital, profit and losses, insurance, reserves, housekeeping and interest.
- Accounts for Merchandise: Goods in Store, Goods in Ships Afloat, Cash Available for Purchases, etc. (so called at that time 'real accounts')
- Accounts of Other Persons: Debtors, Creditors, Participants in Trade Ventures, etc.

#### Personification in Four Sets of Accounts Theory

This was initially developed by the Italian, Francesco Marchi in 1867 in a critical confrontation with the theory of five sets of accounts of the Frenchman, Degrange. Marchi distinguished four main accounts: 1.Account of Proprietor.2.Account-of-Agents 3.Account-of-Co-responsible.4. Account of Manager, in order to allow budgeted as well as actual revenues and expenses to be recorded in account books.

### Personification in Five Sets of Accounts Theory

The sets here were the five means of exchange used as objects of trade, among which improperly included profits and losses were: (1) goods, (2) money-cash, (3) bills receivable, (4) bills payable, and (5) profits and losses (Cinquecentiste School of Accounting). The rule for debiting and crediting was: the person who receives is debited and the person who gives is credited. As far as profits and losses were concerned, the leading exponent of this theory, academics Edmond Degrange (père) argued that losses burden the trader, who was considered as receiving them, and therefore was debited and profits were the trader's, who was considered as giving them, and therefore was credited. In his book, *La Tenue des Livres Rendue Facile*, Degrange pointed out, however, that there were certain accounts outside these five classes of 'real' accounts, and that his classification was therefore incomplete.

### The Legal View of Accounts Theory

The legal view of accounts was an elaboration of the personification view and formed the link between the main personal and materialist-objectivist views. The persons here were legal subjects, subjects of rights and obligations, and since the enterprise itself is also a legal entity it was almost exclusively a legal subject. It is accepted today that even a one man business is a separate legal subject, separate from the natural persons and the property of the enterprise. The French writer, Pierre Garnier, wrote about the "algebra of the law," and thought that most accounting events are, in the last analysis, legal events: purchases and sales, labour hiring, loans, etc., although he did not rule out of pure accounting theory (Comptabilité Pure) other applications in the spheres of law and economics, even in demography.

The legal views considered accounting as a mathematical formulation which refines and further elaborates the science of law. Each accounting event was seen as a creation, modification or writing off of a right. The creation or increase of a claim on others caused debiting, the decrease or writing off of it, crediting, and vice versa. The leading representative of this movement was Gabriel Fauré who named this kind of accounting methodology 'legal' to stress his opposition to the economic methodologies of accounts. Whereas, the legal view of accounts led to the concept of the balance sheet as an aggregation of accounts, the economic view led to the concept of accounts through an analysis of the balance sheet.

### Entity Theory

The legal view of accounting formed the basis of the entity theory as it developed in Europe. The Austrian, Georg Kurzbauer, in his book on double entry bookkeeping published in 1850, formulated the view that every business was an independent entity which

had its own property as well as debts and claims, the latter not only against third parties but also against the proprietors. Thus according to this theory (Geschäftstheorie), the business was clearly distinct from the proprietor-entrepreneur and accounting dealt with the property of the entity and not with the property of its owner(s). W. Kreukniet included a good exposition of this view in his book, *Zur Theorie der Doppelten Buchhaltung*, together with a summary of the personification view and the developments of the materialist view of that time.

Toward the end of the 19th century or the beginning of the 20th, it became customary to summarize in textbooks all the theoretical views on accounts in an attempt to reconcile them. The legal entity was emphatically distinguished from the economic entity, but both ended up finally together in a balance sheet equation such as:

Proprietorship = assets – liabilities and therefore Proprietorship + liabilities = assets or Capital + income retained + liabilities = assets which, in terms of the former accounting equation, becomes fixed proprietorship (capital) + temporary proprietorship (income retained + liabilities to creditors) = assets. This was the beginning of the "materialist" view of accounts and accounting theory. The legal view of accounts was elaborated in France by A. Beaumont, in a series of articles during 1920. Beaumont saw in the science of law the whole foundation of accounting, emphasizing the fact that accounting obligations are nothing more than legal obligations.

In 1927, Robert Lefort<sup>14</sup> described the balance sheet as a complex idea whose substance lay in three concepts: value, law, and person. Of these three concepts, he saw law as being the more pervasive one. A few years later, Louis Sauvegrain tried to depersonalize the theory of accounts examining them purely in terms of logic and value transfers dictated by the legal system.

During the whole first half of the 20th century, legal approaches to the formation of accounting thought and practice prevailed, mainly because accounting was viewed simply as one (among many other) functions of the law. Accounting records and financial statements were just as a reporting system that reflected the legal environment at the time.

### The Materialist View of Accounts Theory

The point of departure in the materialist view of accounts was the balance sheet equation. A relatively more recent parallel development of this view was the so-called 'entity theory' which is still implicit in many Anglo-American textbooks. The principle of this theory was that there were two different types of accounts—asset accounts and liability accounts, which were

subject to different laws of debit and credit. In the materialist view of accounts, an account contains and represents general increases and decreases of objects; that is why this is also called an objective view. The materialist-entity theory school of accounting had many supporters in the German speaking countries, such as Berliner, Kohlmann, Novac and Seidler.

This group of theoretical views was considered by its proponents to be an elaboration and completion of the legal view of accounts, and formed the basis of the economic views of accounts that are prevalent today.

### REVIEW OF EMPIRICAL STUDIES

There has been series of research works carried out to demystify some historic events and their import in accounting development. A few are considered here:

As captured by SOLAŞ and AYHAN [3] in their empirical study, culture has a major event that propelled the advancement of accounting in China. The researchers further argued that many recent studies have proved that China has had inseparable interrelationship between their traditional rules, cultural interests and their life style. Culture is very essential for their existence. Hofstede, Gray, Mueller, and some other empirical accounting researchers stressed the influence of cultural effects on national accounting improvements. They opined that China's Accounting is distinguished or dominated by one thing and that is culture. The study revealed some cultural practices that were adopted as variables such as Confucianism, Feng Shui, Buddhism and Yin-Yang have among others. It noted that these cultural variables have shaped Chinese accounting behaviour and techniques in China. The work further stressed that accounting components are rooted in traditionally Confucian practices and prehistoric insights, noting that they are still effective today. The historical influences of these ancient cultures on bookkeeping methods, accounting practices and accounting information were critically considered. The evidence from literature also indicates that though the government regimes were changed and economical styles were changed in China, the influence of culture in the accounting system survived. A succinct example is Yin-Yang polarity which is still used to balance Chinese accounting till today though private sector actions have decreased the number of state-centred businesses and firm. Chinese economic logic has metamorphosed to the market-oriented model practices, but Chinese mysticism keeps its place through the whole land of the People's Republic of China.

Alexander [2], in his study on the discovery of double entry method by Luca Pacioli stated that the discovery and dissemination of the double entry bookkeeping in 1494 in his famous Treatise -SUMMA DE ARITHMETICA GEOMETRICA

PROPORTIONALI ET PROPORTIONALITE translated in many languages was a monumental breakthrough in the development of accounting hence he is referred to as the father of modern accounting. Luca Pacioli clearly stated that every transaction affects the buyer and the seller. According to him for proper information, the effect of every transaction must be recognized in two aspects, that is *DEBIT SIDE* and *CREDIT SIDE*. *To every Debit there must be a corresponding Credit and to Every Credit there must be a corresponding Debit*. The study stressed that he developed a thirty-six chapter-DECOMPUTIS ET SCRUTURIS on bookkeeping as practiced in Venice, which is 'of recordings and writings'. He recognized Benedetto Cotrugli as the one who originated the double entry method.

In a study by Carnegie and Rodrigues [13], they explored the contemporary scope of the international accounting history community with attention directed to examining the formal and informal arrangements for accounting history in different countries and regions. Subsequent to a re-evaluation of recent observations on the state of accounting history, the study makes clear the dimensions of the field where accounting history associations or special interest groups operate, comprising Australia and New Zealand, China, Italy, Japan, Portugal, Spain and the USA, and also show the informal arrangements in place for the accounting history community as seen in France and in the UK. The study was aimed at enhancing the understanding of the nature, size and dynamics of this growing group of researchers and to support any future studies into the drivers of organizational achievement and the relative health of accounting history in the various areas of authority.

In another disclosure, Alexander [2], the increase in human activities in relation agriculture and commerce encouraged by the invention of writing and the use of numbers and counting contributed enormously to the historical development of accounting. Accounting is dated back to civilization which can be traced at least as far back as the ancient Sumerians, Egypt and Babylonia. Conclusively, the study noted that civilization is characterized by literacy, technical, social and political developments and so civilization brought boost in human activities through the enhancement of literacy, numeracy technical, social, economic and political developments with corresponding effect in nature and scale of businesses and subsequent improvement in recording system- book keeping to provide detailed, accurate and standardized information to take care of diverse needs of users of accounting information.

### RESEARCH METHODOLOGY

The study is literature based .The research design therefore is an explanatory research design.



Secondary data is used and sources of information include text books, journals and other related materials in existence adopted in explaining the research variables.

### FINDINGS

This study has revealed prehistoric phenomenal events that have influenced accounting techniques and horizon over the decades or centuries. Not left out is the revelation of some contemporary happenings around the globe such as technology advancement (among others) that have orchestrated globalization with its attendant accounting responses such as the emergence of International Financial Reporting Standards (IFRS). How such developments have shaped accounting as a field of study is highlighted. It equally brought to limelight the import of each of the significant prehistoric and contemporary happenings. It was discovered that accounting as a field of study has antediluvian origin and it has kept evolving even till date. The positions of the two schools of thought that exist as regards the development of accounting are unmasked. One argues that that accounting developed purely in response to the needs of the time orchestrated by changes in the environment and societal demands. The other claims that the development of the science of accounting has itself driven the evolution and development of commerce since it was only through the use of more precise and clear-cut accounting methods that modern business was able to grow, thrive and respond to the needs of its owners and the public.

Whichever way, the history of accounting throws a light on various antediluvian and current monumental events that have influenced the development of accounting and how such occurrences may help us better predict what is on the horizon economically via accounting continuous advancement even as events keep unfolding globally.

### CONCLUSION/RECOMMENDATION

The study has brought to limelight the fact that many landmark historical and contemporary events have shaped accounting techniques. Again, accounting cannot be alienated from the wide range of historical developments (both ancient and modern) in our environment because they have a way of forcing accounting as field of study to metamorphose and this has made accounting sciences highly dynamic. Its dynamic nature has brought it to its present stage today.

The more the society and economic activities keeps advancing, the more accounting keeps responding in like manner. On the other hand, changes in accounting can force going concerns to respond to such changes. Take for instance, the emergence of International Financial Reporting Standards (IFRS) which aims at convergence or collapsing accounting

standards of various nations has forced businesses to respond in terms of complying with IFRS standards of preparing and reporting Financial Statements with its inherent benefits.

Through the study, academics and professional accountants are well informed of the dynamic nature of accounting with a view to being on the alert in order to respond timely and appropriately in case of other emerging challenges technologically, economically, politically and otherwise that may confront accounting.

The future holds a lot in stock for this aspect of knowledge. One cannot doubt that a time will come when the financial statement and other financial records of companies would be monitored real time as they are being prepared through Information Technology (IT) advancement.

In future, tax assessment of both individuals and companies, through cloud accounting processes would be made much easier because all relevant documents would be assessed from any part of the world and in any given office online and real time. Shareholders would equally monitor the financial performance/position of their companies conveniently from their various locations when cloud accounting (another emerging event) is fully embraced.

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