

Accounting as a Factor of Progress in the Social and Economic Environment

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Abstract. Accounting has deep roots, keeping pace with the social needs and aspirations. Along with the evolution of humankind, the role and importance of accounting have increased. If in the primitive commune the object of accounting was the social property on production means, in the slave-owning system and feudal system, accounting extended its sphere. The existence of a control mechanism on business in general and on trade, in particular, was needed. There could be felt the concretization of practical accumulations in accounting under the form of a study or a specialty paper.

Accounting is the science that has contributed to the affirmation of the organization and scientific spirit which represented "for a long time a small isolated island in a vast ocean of empiricism."

Ever since the appearance of the first double entry bookkeeping treaty of Luca Paciolo until the present day the double entry accounting has greatly evolved from the role of historian of an economic agent' life and it has become the most important instrument of arbitration in the social environment of those involved in business.

Keywords: double entry, accounting trends

1 Introduction

Accounting has its roots in remote times, its appearance being determined by objective necessities. Documentary sources attest that the first bookkeeping entries date from about 2500 BC in the geographical area delimited by Tigre and Euftrat rivers. At the Sumerians the economic and social life was pulsating under different forms, and the fact that the authorities were concerned about "the setting of maximal prices for certain products, of different forms of rent, the contraction of loan forms." (Hanga, 1977) shows the high level reached in the development of the Mesopotamian society. The digging made in these places between 1930 and 1950 confirmed that, in the discovered temples, there was practiced a sacerdotal organisation, the goods and richness of temples were not left adrift, those who managed them had special responsibilities and tasks, "the management of the temple's wealth imposed new tasks to those who had the mission to fulfil them and we can assume that there was found a new procedure that could allow an exact bookkeeping of tributes and their use" (Childe, 1966).

2 The Beginnings of Accounting

The archaeological research made by the erudite Gordon Childe brought, by its activity, special services to accounting. In the sanctuary of the ziggurat the digging brought to light a plate (made of

clay), having the mark of a seal and hacks which, no doubt, have a numerical significance. This is the first known book of accounts and the immediate predecessor of a series of bookkeeping documents” . Even more, the author states that “the first temple of Uruk signals the promotion of a rural community at the rank of borough; the monumental constructions imply a vast organization of labour, specialised industries, a rudimentary organization of trade and transportation. In this crucial moment bookkeeping and writing are invented” .

We have proof that stakeholders and commissioners from Babylon kept an exact bookkeeping for all operations to which they participated as intermediaries. Their bookkeeping stated the benefices for the mandate operation . The proof of the bookkeeping existence and of the way in which operations had to be done by the scribes, bookkeeping technique problems, is graven on the stone block of Hammurabi’s code: “if someone has a debt and the storm devastated his field or destroyed his crops or, if because of the drought there are no grains on the fields, he has to fill the debts table this year and not give eatable to the creditor, nor pay interest for this year” .

Neighbour with Mesopotamia, Egypt is experiencing a flourishing economic life. Both public administration and trade are developing; therefore, keeping the order of calculi and transactions, of bookkeeping records becomes more regular and more necessary. This is the reason why the scribes, in all schools, were studying bookkeeping, together with other disciplines. In the Hellenistic era of Egypt, among the subjects taught in universities, such as philosophy, astronomy, mathematics, accounting was as important .

From the Greeks bookkeeping is taken by the Romans. The Ancient Rome ensures the development of a bookkeeping organised on activity domains. Initially, agricultural enterprises had an accurate and detailed bookkeeping. Cato in his *De Rustica* stated that was how the accounts were kept: House, Stored wheat, Fodder, Wine, Oil, their mission being to highlight what was sold and how much it was paid, what remained to be received and what remained to be was sold . At the Romans we can find the two types of bookkeeping – domestic and public. The domestic one was meant to keep the accounts of the “census”, the obligation of each Roman citizen to contribute to the bearing of public tasks, depending on his fortune, having, at the same time, the benefit of the status of citizen of Rome, according to his contribution. The census was introduced during Emperor Sevius Tullius. The public bookkeeping had an important role in the collection and settlement of taxes and public revenue. The bookkeeping was given a special significance in the Roman society. It was even believed that an inaccurate bookkeeping was an abnormal situation and was also believed to be a wrongful deed. The famous orator Cicero, in his speech against Verres of Sicily accused of theft and embezzlement of money said “... here, judge a new fact that we will find, we are talking about a man who has never kept a book” .

Accounting has roots that are found in the remote past. It has kept pace with social needs and aspirations. During the slave-owning era, as well, the man felt the need to do calculations using for this purpose accounting entries. Dealing with the study of ancient Hindu communities, which were based on the shared possession of land, on the combination of agriculture with art, where the distribution of products was done equally among the community members, Marx states that “together with this uniform mass which had the same occupation, we can find specialized people, the main inhabitant being both judge and tax collector, the bookkeeper keeping the books on agriculture, entering and calculating everything related to it” .

Starting with the Middle Ages, the economic, social and political life makes a step forward. Following political or religious struggles, new powerful cities appeared in Italy: Pisa, Amalfi, Florence, Genoa, Venice. Each of them wanted supremacy. There appears the commercial rivalry between the famous Italian cities. The era is characterized by an unprecedented race for money. As a result, the exchange of goods in the Italian cities conquers new regions: the Middle East, North Africa, Central Europe. This is how the world market and the world trade appear.

Along with the evolution of humankind, the role and importance of accounting have increased. If in the primitive commune the object of accounting was the social property on production means, in

slave-owning system and feudal system, accounting extended its sphere. The existence of a control mechanism on business in general and on trade, in particular, was needed. There could be felt the concretization of practical accumulations in accounting under the form of a study or a specialty paper. It is an undeniable fact that the land, after a period of lethargy, is known for the rebirth of the Italian society, claims the paternity of accounting. In 1202 there appear the work of Leonardo Pisano “The Liber Abbaci” (Book of calculation) and the Treaty of Luke Paciolo in 1494 which had a great influence on economic calculations and the on development of bookkeeping. The bookkeeping works belonging to the period 1200-1600 are characterised by: the familiarity of some beginning rules for calculating the bookkeeping operations, the transition from the single entry bookkeeping system to the double entry bookkeeping system, the systematization of works for the closure of bookkeeping calculations, the specification of the function of capital and profit and loss accounts, the use of the balance sheet. The bookkeeping literature of the 15th and 16th centuries has as common characteristic the stylistic processing of Paciolo’s work, trying to adapt the Venetian method to the concrete conditions of each country.

The rigour and accuracy of bookkeeping entries made the records kept in chambers of commerce have a special evidential force. This highlights the role of bookkeeping, the individualisation of chambers of commerce business, but also of traders. The data entered in the records of the time were the basis of major decision making in critical moments. For the beauty of style, of scientific probity and to reinforce the above statements, we shall render the dialogue of Fugger, the owner of the Chamber of Commerce of Augsburg, the chief accountant of the Mateus Schwartz House and King Maximilian of Germany.

Maximilian: Good afternoon, do you have a new man?

Fugger : My chief accountant.

Maximilian : Oh, librarian. Hello, young man. What thick book is that?

Schwartz : Contabilitatea dublă, maestre. Double entry bookkeeping, master.

Maximilian : I want one, too. Does it have pictures?

Schwartz : Figures, Majesty.

Maximilian : Oh, figures. They are so boring.

Swartz : **It is an art.**

Maximilian : Since when figures are art?

Fugger : Since recently, Majesty.

Maximilian : And what kind of artistic figures are these?

Fugger : My business.

Maximilian : Well, there always have been entries.

Fugger : Now, only money is entered. We no longer enter ship loads, guns, cloths, flour, coat. Only money. Goods, animals, people, everything becomes capital that has to grow.

Schwartz : And bookkeeping is the heart of capital.

Maximilian : Let’s leave this aside. That’s froth.

Fugger : The greatest discovery of human kind. We are no longer influenced by nothings, sentimentalisms, and respect for who knows what works or persons. We see only money and money has to grow.

Maximilian: Money has to be spent.

Fugger : Your Majesty is wrong, it has to grow.

Schwartz : By interest and interest to interest.

Maximilian: What, twice interest for the same money?

Fugger : Your Majesty is wrong again. Interest to interest.

Maximilian: Come on, I don’t understand any of these. I’d better make war.

Fugger : Whether Your Majesty can make war or not, **only this book can decide.**

The 18th and 19th centuries bring about bookkeeping achievements. Bookkeeping is elevated to the rank of independent discipline and means of control in administration and management. We mention authors, such as Simon Stevie in Bruges, Domenico Peri and Antonio Moschetti of Italy, ClaudeIrson,

Mathieu de la Porte, Jacques Savory of France, the latter's works appear under the influence of Colbert's order in 1673. The 18th century, in terms of accounting progress, belongs to France. François Barrême made that first balance based on primary documents, Edmond Degrange devised and spread the journal – ledger method.

3 Accounting in the Modern Era

Characteristic for this period of time are the radical changes in the economic and social life. Manufacturing has grown steadily and has resulted in the emergence of machine era. The demand of goods was increasing, the manufacturing becoming overcrowded. There appears the capitalist enterprise that aims to maximize profit.

As all transactions with capitalist economic system had as a starting point a sum of money and aimed to obtain profit, the economic calculation has been recognized as a necessity, as an indispensable tool to run a business, even at the dawn of capitalism. This calculation involves a certain habit, a certain skill to express all manifestations of human activity by number, and, at the same time, to make, through these numbers, a rigorous control of the efforts made and the effects obtained. By means of numbers, values are always expressed, and the system of these values is designed to determine the relation between revenues and expenditure, between debts and obligations, a relation allowing the manager to determine whether the enterprise is efficient or not.

In the maze of economic life light is needed. “Order is light, where funds are managed without accounting, which is the science of order, there is only darkness .

The classics of Marxism emphasized the social and economic significance of accounting.”Accounting as a means of control and ideal synthesis of the process, becomes even more necessary if the production process is carried out on a social scale and loses its purely individual character, and therefore more necessary in the capitalist production than on the craft production” .

Accounting is the science that contributed to the affirmation of the spirit of organization and scientific management which represented “for a long time a small isolated island in a vast ocean of empiricism.” By making specific economic studies, Werner Sombart says it is impossible to indicate whether accounting led to the development of capitalism, even created it from its spirit or the capitalism used accounting as a tool to put its forces to work, and concludes “if it is true that the double entry accounting is an essential characteristic of the capitalist enterprise, the conclusion is that the universality of its application is a necessary fact” .

Nobody can imagine a society without this social-cultural and economic asset. In the economic culture, accounting knowledge has a distinct place and a large area.

The life and activity of the human being as a producer and consumer of values is complex. Along with economic assets, in the processes of creativity he uses a variety of natural assets, which, although necessary, are not taken into account. Bertrand de Jouvenel, the well-known futurologist, addressing this issue, shows that together with abundance there opposes the quantitative assessment the feeling that: if it is legal to ask for a payment for – our efforts and our work - you cannot ask to be paid for a gift of nature. Yet, under certain circumstances, due to a characteristic situation, a free good can go under “economic assets”. Over time trees in Western society have passed from the “free goods” class into the class of “economic assets” . Wood has a built-in price due to labour. Accounting, as integrated system, is the only one able to monitor continuously and systematically this category of goods. Only it has at hand the appropriate knowledge means to illustrate by calculations, synthetically and analytically, the value of all goods consumed in the socio-economic processes and their results. In the opinion of the same author with the vision of man as creator of the order he desires, another vision is also necessary: “man is the source of a disorder that he has not foreseen” . The economic-productive processes generate in their development “positive values” and “negative values” . The production of the first is established and measured by means of a price paid by the market, while “negative values”,

for which no ownership is claimed, can not be proved nor measured by the existence of a price. In the current economic practice, “the negative values”, for which the property of a subject over them is proved, are reflected by accounting calculations. “The negative assets appear among production costs of an entrepreneur or a company, from where they pass into the national accounting” . Accounting concerns do not stop there. As a good with a special value in the management of productive activities, accounting has the capacity to be a barometer that can measure humans’ condition and inconveniences they make in socio-economic processes. But “ever since the Greeks and Romans dissapeard, good and evil turned rather in sentiment than in object of knowledge” . In this view, the opinion of the scientist Bertrand de Jouvenel is illuminating, telling that the digrafic accounting calculation can achieve these objectives and is able to reflect not only the good people do for themselves through production activities but also “the evil done by activities hidden from their activities as producers and consumers”.

There is a correlation, an organic relationship between accounting and the general needs of the socio-cultural environment. In this direction, accounting should be framed as an organic factor, determinant in its evolution. Since the emergence of the Treaty of double-entry bookkeeping by Luca Paciolo till now “the double entry bookkeeping has evolved substantially from the role of life chronicler to that of trader” , becoming today “the most important instrument of arbitration in the social environment of the actors involved in business” .

Breaking the above statements, the French researcher, Léo-Paul Lazon, regarding the issue of “Bookkeeping as a social science” brings the arguments “it is a creation of the human being; it addresses different groups of users that are part of society; produces financial statements that have an impact on society and change individual behaviour, these situations generate mutations or social changes; the accounting information generate entities that are part of society, therefore, refers to social agents; it is dependent on or influenced by social phenomena” .

In order to make the link between accounting and the cultural environment we appeal to some British specialists who formulate four dichotomous values of the accounting culture :

- professionalism – legal control, which assumes the alternative between a priority of professional judgments to support an accounting regulation and a priority of control over the applicability of accounting standards developed with or without consulting accounting professionals. This is a significant cultural accounting value, as, worldwide, the relation between the influence of the accounting profession, on the one hand, and the legal control of its exercise, on the other hand, is more or less trenchant;
- uniformity - flexibility, which assumes the alternative of uniform accounting practices, therefore strongly standardised and/or normalized and flexible accounting practices, adaptable to their circumstances and make companies evolve. It is also a cultural accounting value because the comparability of accounting data is a fundamental requirement of all national accounting systems;
- conservatism-optimism, which assumes the alternative of a control over the uncertainty of future events and the freedom to assume risks. This is a significant cultural accounting value as the prudence principle related to accounting assessment has many complex consequences;
- secrecy-transparency, which involves the alternative between the preference for confidentiality and limitation of accounting information disclosure only for those directly involved in acts of management and financing of the company and a total or semi-total advertising of the accounting information. This appears more as a significant cultural accounting value due to the managers’ growing needs for accounting information and due to the moral obligations of professional accountants to provide information necessary for decision acts to a wide range of users”.

Accounting has a value in society also for the fact that it complements the other specific disciplines so as to achieve instruction and education in the social environment. The accounting instruction shapes the economist, the person applying the acquired knowledge and finds reality and his scientific results by his own power. His judgment is based on real facts related to abstract concepts in order to get

information to the management. The nature of accounting renders to the person who practice it an overview on the environment he observes. For this, in the management process, the accounting economist plays an important role because he provides general starting information, translates and expresses the likely consequences of foreseeable or determined actions. "I do not know a mastermind, more cultivated than that of a merchant (accountant) who is aware of his vocation" said Goethe.

The accountant is able to have an overview of the company's situation and define in each case the consequences that a general decision might have in certain conditions of activity. "The accounting profession is the profession of modern times" says C.V. Heimbucher.

The instructive educational effort of the current end is directed towards a thorough training of specialists. Everywhere in economic faculties, the study of accounting is, without any doubt, necessary. Accounting requires training and skill. It requires thoroughness and theoretical knowledge so that those who can reach conclusions and foresee. "The one who understands accounting can sometimes apply it, but the one who applies it, may not understand it" .

Given the close link between accounting and other economic and legal disciplines, the selection of facts that determine accounting entries, requires a thorough knowledge of economic and legal principles. In this regard, Finney says "the accountant is the person versed in knowing the legal, industrial, commercial and financial principles. He can be bookkeeper, in which case he will record transactions in accordance with accounting principles. Or he can be a Certified Public Accountant when the task is to investigate whether the bookkeeper recorded the operations in accordance with the accurate principles of accounting" .

It is hard to find an area of economic science more complex, richer, more practical, more present-day and mobile and often disputed as that of accounting. Everywhere, in the economic life, accounting contributed to the progress of society, its calculations provided a real view of the researched field. The costs, income, social reproduction, economic equilibrium and optimum are just some of the major categories of phenomena that cannot be thoroughly understood and studied without being addressed from the accounting point of view.

The valences of accounting have been highlighted by the great figures of the time. Goethe in "The Years of Apprenticeship of Wilhelm Meister" said "accounting is the most sublime creation of the human spirit. W. Sombart in his work "L'Apogee du capitalism" stated that accounting contributed to the affirmation of the organization and management spirit, a spirit that has long been an isolated island in an ocean of empirism.

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