Abstract

This paper discusses the history of accounting, it traces the methods adopted for recording business and financial activities from the ancient era through the periods of the Merchants of Venice in 1370, the Sumerian civilization of 5,000 years ago to the period of industrial revolution which sprang up in England between 1700 and 1785. Some developing countries including Nigeria are covered. It is discovered that modern bookkeeping developed in 1494. when Luca Pacioli, an Italian mathematician and friar published a treatise on double entry bookkeeping. Pacioli's work marked a turning point in the history of accountancy. It led to early education in accountancy and within the first century of its publication, the book was translated into five different languages. The growth in business and commercial activities between 17th and 21st century has brought challenges to practitioners, scholars and philosophers in the field of accountancy. Contemporary thinking in accountancy is on mechanized procedure, adopting the use of computers for efficiency, accuracy, and timeliness in the production of information for business decisions.

Introduction

"Man's records, if any of his early undertakings are vague and often remote: a broken piece of clay inscriptions, a picture on the wall of a cave, or a partially destroyed skin. Interpreting these findings is frequently as troublesome as discovering them in the first place (George Jr. 1972, P.1),

Accounting is a branch of management science that is concerned with recording, analysing and interpreting financial transactions to users and other interested parties. According to Wood (1996), accounting is "The process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by users of the information".

As defined above, the ancient civilization was faced with the difficulty of how to record economic activities to facilitate decision making. The history of accounting could be traced to the pre-history periods 9,000 to 10,000 B.C., when people were living in small villages under the leadership of individuals appointed as kings and priests. Revenues were generated by levying taxes and the priests experienced difficulties in accounting for these taxes. Since there were no writing materials, records were kept by making notches on sticks. This approach was associated with the Sumerian priests at about 5,000 years ago. Accounting for tax revenues was, perhaps, the earliest Known form of record relating to accounting.

Rose (internet version)- explained that "some of the earliest known writing discovered by archaeologists are on clay tablets from Egypt and Mesopotamia from as early as 2,000 to 3,300 B.C. At about the same period, some African countries including Nigeria kept records of commercial activities by means of "strokes" on walls and in some cases "counter containers" were used to reflect records of debtors and creditors.

The 14th and 15th century Merchants of Venice, threw some light in accounting history when their government in 1370. promulgated a legislation to keep records of their trade activities in Journals and Ledgers. This initiative was modernized in 1494, when Luca Pacioli, an Italian mathematician and friar wrote a treatise on double entry bookkeeping. In accounting history, Pacioli is described as the originator of modern bookkeeping.

Pacioli's methodology aroused interest in accounting. His work was widely accepted and published in five different languages. Reviews and criticisms of Pacioli's book engendered innovations and consequently led to early education and training in accountancy.

The growth in industry and commerce between the 17th century, industrial revolution in England and the 21st century, coupled with changes in sociology and technology brought challenges and complexities to the accountancy profession. This apparently ushered innovations. Contemporary thinking is on mechanized accounting system involving computers directed towards efficiency, accuracy, and timely production of financial reports for decision making.

Future changes in technology, sociology, political and legal framework are expected to present additional challenges to practitioners, scholars and philosophers in the field of accountancy.
Accounting During The Ancient Era

The history of accounting is traceable to the ancient era. The priests and kings who were heads of small village settlements witnessed difficulty in assessing tax and accounting for revenues collected to the people. The wealth of people was assessed through tax system and the priests were required to give account of funds collected. Since there were no writings or books to aid these, marks on sticks were used to indicate revenues collected and balances outstanding. This form of accounting was associated with the Sumerian priests some 5,000 years ago.

Childe in George. Jr (1972), explained that "Some of the earliest written documents in the world, found in the Sumerian civilization of 5,000 years ago, are evidences of managerial control practices. According to George Jr. (1972):

The Sumerian temple priests through their vast tax system collected and managed tremendous amounts of worldly goods, including flocks, herbs, revenues and estates”. These priests were required to give account of their stewardship to the Chief priest. Because of the magnitude and variety of wealth amassed... the priests encountered a job with problems unprecedented in human history. For this account of their stewardship memory could not be trusted about dues paid, transactions consummated and the like. Nor could they rely on crude devices such as a notch in a stick.

Accounting during the primitive period was very nebulous. Writing on clays, using a notch in a stick and strokes on walls were the systems adopted to keep records of financial activities: taxes, loans given, revenues collected, flocks of sheep, etc. This method was universal to many ancient civilizations. As Egyptians, Mesopotamians, Sumerians adopted clay tablets for their writings. Nigerians as agriculturists used calabashes, bamboos, seeds and grains. Aschemie (I 992. p. I 4), explained that:

Agriculture has influenced everything that is known to be Nigerian, including their methods of record keeping. The materials for record keeping were, not surprisingly, mostly agricultural. People, therefore, used materials like calabashes, bamboos, seeds and grains, tally sticks and ropes. House walls also served as recording media in most parts of Nigeria. Wood and animal bones Eire also known to have been used in record keeping in some parts of the country.

The recordings on the house walls are 'vertical strokes' marked with red palm oil, native chalk or charcoal. The wall strokes are used to represent quantity of inventories of sheep, goats and yam. They are also used to represent revenues, debts owed, etc. The description of what each group of wall strokes represents is not stated on the wall. Such descriptions are only known to the bookkeeper in his mind, Asechemie (1992, p.27), stated that:

The Strokes are found in groups. The group may refer to the quantity of resources or their value involved in a particular economic transaction, or it may refer to the quantity or value of related transactions. The relationship may be that they refer to the same customer or mat they occur within the same period of time. The concept of grouping in "wall stroking" is the native counterpart of the concept of an account in European accounting thought.

Below are examples of how the wall strokes were used in ancient days in Nigeria. The five vertical strokes represent a debt of five pounds due to somebody, while the six vertical strokes with a horizontal crossing represent revenue of seven pounds.

Wall strokes representing records of income and liability in ancient days of Nigerian history of Accounting.

A debt of five pounds  Revenue of seven pounds
The wall strokes are normally drawn in areas within the building where it would be easily observed by the recorder for decision making. According to Asechemie (1992, p.27), "The strokes are often drawn on walls of bedrooms. This is not to make the information in the strokes public while at the same time making them conspicuous so that observing them requires little or no effort".

Apart from wall strokes, counter containers were also used to record financial activities relating to debtors, creditors and inventories. The containers varied from tribe to tribe in Nigeria. In some areas, the container could be calabash, while in others it could be raffia bags. The counters comprise pebbles, stones, grains, palm kernels, etc. The type of counters adopted by a particular tribe was influenced by agricultural products predominantly produced. Asechemie (1992), explained that:-

- Pebbles, stones, grains, seeds and palm kernels were very common counters. Grains seem to have been preferred among northern communities, while palm kernels are found among southern communities. This distribution may be explained by differences in soil texture and type of agricultural products for which comparative advantage existed. With the introduction of cowries, these gradually but steadily replaced the purely native counters. The establishment of national currencies led to the use of standard national coins as counters to a limited degree.

Below is an example of a counters container.


The nature of the transactions (debtors, creditors etc) is not described by the counter container. The recorder knows in his/her mind the type of transactions the counter containers represent.

In a nutshell, accounting during the ancient era was difficult as there were no books and modern instruments to facilitate record keeping.

Book-Keeping

Colonial bookkeeping originated as a result of increase in economic activities following the establishment of joint venture and partnership businesses. Notable in these business activities was the Renaissance Italy at about the 15th century. At this period, trade nourished in Venice. As quoted by George, Jr. (1972:32), the book: Merchant of Venice (1418-1449), by Andrea Barbarigo, is a biography of an early businessman, "it provided detailed accounts of (he advanced state of commerce and industry in Italy in the fourteenth, fifteenth and sixteenth centuries...."

The Venetian business activity was maritime in nature which grew tremendously. In order to protect their trade, the Venetian government built their own shipyard - the Arsenal. George, Jr. (1972:35), said that:

"... As Venice's maritime power grew, her citizens saw the need for an armed fleet to protect her trade, which was crucial to her livelihood. As her trade and influence and the concomitant need for protection grew, the city had in operation in 1436 its own government shipyard, the Arsenal.

The business activities in Venice were met with problems arising from the growth of the Arsenal. Out of all these problems accounting was the first to be recognised as a tool of control.

According to George Jr. (1972:39), "complete and accurate accounts appeared the chief requirement, whether the Arsenal bought in the open market or contracted for products with craftsmen
whom it supplied with the materials and paid by the piece”.

As a result of accounting problems suffered by the merchants of Venice, books of original entry and ledgers were introduced in 1370. George Jr. 1972 p.40), pointed out that:

By regulations established by the Arsenal about 1370, all accounts were consolidated in two journals and one ledger. One journal was kept by the lord of the Arsenal who tended the cash box. The chief accountant entered the items in the ledger from a second journal which was kept by the second accountant. Even, few months’ two lords of the Arsenal working together checked their journal with the ledger to see that there had been no mistake. Each September, the ledger was balanced, each account separately, the balance was carried over to a new ledger and the old books were sent to (he treasurer's office to be audited.

Though, the regulations of (he Arsenal of Venice operated journals and ledgers, the origin of bookkeeping can be traced to 1494, when Luca Pacioli, an Italian mathematician published a treatise on double entry bookkeeping. According to George Jr. (1972:40):

The origin of modern bookkeeping could be traced back to 1494, the year in which Luca Pacioli, a Franciscan friar, published a work on double entry bookkeeping …the principles and practice of double entry bookkeeping, in virtually their modern form were widely known among the industrial and commercial centers. In fact, Thomas Watt referred to this method of keeping accounts as his "darling science-..-", the systematic modern accounting that originated at this time represents one of the first general methodologies of management.

Pacioli’s work on double entry bookkeeping was widely applied in many countries and contributed in no small measure in recording business activities occasioned by growth in industry and commerce, especially the complexities of the industrial revolution which sprang up in Britain between 1700 and 1785. The book on double entry was translated into several languages and later formed the basis for education in accountancy. In her own words, Rose (internet version), put it that: The foundations of modern accounting and bookkeeping really developed in 14" century Italy. Luca Pacioli wrote Summa de Arithmetica, Geometrica, Proporciona et Proporciona (Everything about Arithmetic, Geometry and Proportion), which outlined the method of double entry bookkeeping. Pacioli’s book was translated into five languages within its first century of publication. Numerous other authors, writing in German, English, Italian and Dutch, wrote books on the subject whose contents were largely lifted from Summa, Pacioli’s accounting method which, came to be known as the Italian method, became popular throughout Europe.

The interest in accounting education grew tremendously in Europe and America during this period. Early accounting educators and commercially trained accountants started exchanging views in accounts through articles and reviews appearing in business magazines. In 1839, a magazine, Hunt's Merchants Magazine and Commercial Review was established, Previts and Merino that an 1840 issue of the magazine included poetry on bookkeeping as follows:

The Poetry of Book-Keeping

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Attentive he and 171 impact
What constitutes the accountant's art?
This rule is clear: what I receive
I debtor make to what I give.
I debit stock with all my debts,
And credit it for my effects.
The good', I buy I debtor make
To him from whom those goods I take.
Unless in ready cash I pay.
Then credit what I paid away.
For what I lose or make, 'tis plain
I debit loss and credit gain.
The debtor's place is my left hand,
Creditor on my right must stand,
If to these axioms you'll attend.
Bookkeeping you 'U soon comprehend,
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And double -entry you will find
Elucidated to vow mind.

979:470) stated

The introduction of modern bookkeeping methods constituted the stop gap between ancient accounting method and contemporary accounting thought. It served as a control technique to early managers who superintended affairs of commercial organisations following the growth in industrial revolution

**Formation of Professional Accountancy Bodies**

The growth in industries and commercial activities increased the demand for accounting services. Social and political developments in most countries ignited the need for accountability by public officials. In the United States, the progressives and pragmatists preached the "gospel of efficiency". They demanded for efficiency in government, regulation of business, and tax reforms. All these had positive effects with respect to the development of the profession of accountancy. In the opinion of Previts and Merino (1979:132), "political progressives' conviction that inefficiency lay at the root of social ills in the United States was reflected in their demands that public officials be held responsible for their actions". These views on accountability made accountants prominent and brought accountancy profession to the attention of the public.

By 1887, the American Association of Public Accountants (AAPA) the first accounting body in the United States was formed. It later changed to become the American Institute of Certified Public Accountants (AICPA). In 1897, the Pennsylvania Institute of Public Accountants was established. Though, accountancy grew rapidly in the United States, other countries were not left out. By the 1800s, professional accounting bodies were established in Scotland and England. Nigeria had their turn in 1965, when the Institute of Chartered Accountants of Nigeria (ICAN) was established through Act of Parliament No. 15 of 1965.

Rose (internet version), stated that:

Scotland became a world leader in modern accounting by the 1800s. In the late 1800s, the Edinburgh Society, followed by other accounting societies in Scotland and England, adopted the title of Chartered Accountants (C.A) to identify its members. Accountancy developed rapidly in the US during this time as well. In 1850, city directories showed 14 accountants in public practice in New York City, four in Philadelphia and one in Chicago. By 1886, New York City had 115, Philadelphia 87 and Chicago 3 I...

These professional accounting bodies have as part of their responsibility: the training of qualified accountants and the inculcation to members the ethical rules of integrity, objectivity, confidentiality, and independence in the performance of professional work.

**Contemporary Accounting Thought**

Contemporary thinking in accounting is on efficiency, accuracy, and timeliness of accounting information for decision making. To achieve efficiency, accuracy and timely production of accounting reports, accounting practitioners now emphasize on the adoption of mechanized accounting system employing computers.

Presently there are software packages for processing of accounting information. These software packages process volumes of business transactions in minutes and generate timely reports with accuracy. Contemporary computerized accounting softwares applied by business organizations include Peachtree, Sage Solutions, Disk Operating Systems (DOS), etc.

The shift to computerized accounting procedure which has virtually replaced the mammal system of ancient bookkeeping is to accommodate social and technological changes and complexities in business and commercial activities.

**Consultancy Services**

Scope of services rendered by accountants has broadened tremendously to include consultancy services, in addition to auditing and accounting functions contemporary professional accountants now extend financial advisory services to clients. Such services improve efficiency * accounting systems, eliminate weaknesses and errors.
Legal Liability

Today's accountants are expected to be circumspect and exercise sufficient care, skill and diligence in the performance of their duties. This is because of the enormous responsibility entrusts into their hands by investors to protect their interest while carrying out their statutory duly examining the financial statement of business organisations with the objective of reporting only truth and fairness of their operation.

Negligence on the part of any accountant to any person expected to rely on the accounts and associated report attracts legal action. The case of Enron in United States of America is an example where Anderson was sued for negligence.

Education in Accountancy

Education in Accountancy is presently being given attention than previously. Universities Polytechnics, and Colleges of Education now offer programmes in accountancy covering diplomas and degrees. The number of qualified accountants has also increased. Their participation in private and public enterprises has strengthened business activities and financial reporting. Contemporary thinking in accounting education is to make computer literacy/knowledge compulsory for every accountant.

The privatization of public enterprises in Europe, United States of America and SOB developing countries including Nigeria increased entrepreneurial initiative. In order to secure checks and balances and protect interest of investors, the services of professional accountants were retained. This led to increase of professional accountants in practice. The fortunes of accountants increased with increase in business activities. This is arguably considering advancements in technology and private sector entrepreneurial initiative.

Research in accountancy is today being given credence by scholars. Professional bodies have established journals for publication of academic and professional articles and reviewing develops in the accounting profession. In Nigeria, the official journal of the Institute of Chartered Accountants of Nigeria (ICAN) is The Nigerian Accountant. Other journals such as: The Accounting Review, the Accountancy. Abacus are found in Europe and America.

Conclusion

The accountancy profession has come a long way. The ancient era of 2000 to 3 witnessed writings on clay tablets, a notch on a stick and wall strokes as records of economic activities for tax revenues, inventories, debtors and creditors. These were associated with civilizations in Egypt, Mesopotamia, and some African countries including Nigeria.

Contemporary thinking in accountancy focuses on efficiency, accuracy and timely production of reports to enhance business decisions. This innovation has grown out of the need to cope with growing commercial and business activities.

It is expected that with sincere operation of democratic government and the respect for probity and accountability, accountants in the future will contribute immensely to the management of economy-of nations.

References


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