



Accounting and Economics "Take Off" in the Transition Period to Capitalism

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accountancy, accounting methods, double entry, economic functioning.

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ABSTRACT *The aim of this paper is to provide an overview of the scientific research evolution on accountancy starting with the sixteenth century. At the same time, we consider that in the pre-Classicism period (transition to capitalism), the mercantilism (especially the Kameralism) has generated decisive contributions to the substantial elements of the Accounting and Economics. The paper also seeks to emphasize the way in which the schools of thinking dealt with accountancy in this era of the history.*

The paper presents the moments in the "take off" of accountancy and Economics as a homogenous whole. The results of the paper show that although practice is the engine that grounded the development of the accounting activities, the merit of the accounting theoreticians must not be neglected. The societies' demands for development and growth helped the Accounting to flourish, as the Accounting is the core of the general economic scaffolding and functioning.

Introduction

Accountancy is a scientific discipline within the system of economic sciences, which has its own object and research method. The analysis of the evolution of scientific research on accountancy is extremely important because:

As some Accounting theorists sustained, without having a historical background, our knowledge is incomplete and the judgment of current phenomena lacks maturity¹. The raise and development of Accountancy were determined by the practical needs of economic life and environment.

Even important roots came through Indian and Arabic Economic Thought (in Accountancy), the basic of this science was put by Venetian mathematician Luca Paciolo (Pacioli) in his masterpiece "Summa de Arithmetica, Geometria, Proportioni e Proportionalita". In the ninth chapter the author developed various economic topics, such as *barter, bills of exchange and Bookkeeping activity*, all these ideas within 150 pages. Paciolo has introduced terms as *double-entry bookkeeping, balance sheet, Magister Register* and other tools to be used (even today) by the accountants. The importance of this book (especially regarding Accounting topic) is that of standardization and dissemination of ideas and practical tools for using by the professionals in the field².

A special moment in history was *the emergence of the trade with goods* and, subsequently, the emergence of the currency as a general equivalent, the emergence and development of the various forms of writing and that of figures.

We must also emphasize the discovery of paper, which was firstly used by the Chinese. The first accounting entries were made in ancient times by the means of the king of Babylon, Hammourabi, the initiator of the first commercial and social law code.

The work of Leonardo Fibonacci (who will be the subject of a future article) is outstanding for the period of the Middle Age; for the first time, Fibonacci proves how Arabic figures can be used by drawing up an account using these figures.

The "take off" of the main economic domains

The mercantilists have subordinated economy to politics, to the power of time and thus the concept of **Political Economy** was born. This was the first stage (the early beginning) of Political Economy, a concept formulated by the French playwright and mercantilist Antoine de Montchrestien (1575-1621) in the year 1615, in his paper entitled *„Traité de l'économie politique"*. These are steps leading up to the establishment of economy as a science and the concerted efforts to support the industries (manufacturing) and trade. These issues required concrete and ways of highlighting the inputs and outputs of economic situations. In short, the need of *Accounting* emerged.

There is also another aspect that is worth mentioning: in 1518 when Heinrich Schreiber (Henricus Grammateus) published his work *„Ayn Neu Kunstlich Buech"* which also brought a very important contribution, although less valued and appreciated to the development of **Accounting**. This work deals first of foremost with highlighting the *method of periodic accounting records* in a manner that allowed its coexistence within the **dual match records** with the *method of batch operations accounting (transactions subject to risks)*. And thus in the accounting system **the profit and loss account** occurred because the invested capital had to pursue *gaining profits* and accounting and therefore it was governed by this purpose. So **the profit** or **the loss** was embodiments of *efficiency with which capital was used*.

Schreiber has stated the concept according to which *the accounting records, by their nature, should have always been performed regularly*³. Although the time between the appearance of the work of Paciolo and his own writings was not too long, the German author has very clearly achieved the importance of **accounting periodic recording method** and through the examples and explanations that he provided he opened new perspectives for understanding the historical development of the *accounting science*.

And this whole remarkable achievement in the field of economic theory and practice took place during the flourishing of the **House of Fugger** (which has even become

a *firm* - that is a productive organizational structure), a native of the city of Augsburg⁴. Its members have dominated between the fifteenth and seventeenth-century the European businesses environment (particularly the financial environment), due to the monopoly on the extraction and marketing of copper, tin, lead from mines located in Tyrol and Hungary, coupled with the process manufacturing, to which the very lucrative activities of *currency minting* and *money transactions* were added which yielding significant gains, both in the work of usury and from the speculation of rate differences between different currencies circulating at that time. This is the reason why The Fuggers were recognized as prominent bankers of their time. We may say that the existence of the *Fuggers House* is a sort of synopsis for the development of Europe in the sixteenth century. "Bookkeeping is neither a discovery nor a science (...), but the outcome of the continued efforts to meet the necessities of trade as they gradually developed"⁵.

After its establishment as a system, double entry accountancy becomes a subject in schools and copies of some textbooks circulate in manuscript and turn into occult sources of inspiration for various authors.

In Italy, in the sixteenth century, Giovanni Antonio Tagliente publishes two papers in which he presents the mechanisms of single entry and double entry, using as his illustrious predecessor, the mathematic apparatus.. In 1539, appears the work „Practica Arithmetica” (Simon Stevin mentioned about it in his final works, 1608). The paper is written in Latin, which was considered to be the scientific language of the era.

The one who uses the "balance of entry" (opening balance sheet) account is the Benedictine monk Angelo Pietra.

In the sixteenth century, several textbooks in mathematics and accounting were published in Antwerp, which simplified the expansion of traditional Italian methods of commercial crediting and bill operations⁶.

The seventeenth century

Starting with the seventeenth century, *the modern accounting era begins*.

1. Germany, for example, which was also facing economic downturn, had a much poorer accounting literature quantitatively and qualitatively compared to the previous century. During the seventeenth century, economic activity is increasingly moving towards North-East. Netherlands becomes the strongest financial power of Europe. Representative for his writings in the field of accounting is Abraham de Graaf, who publishes, in 1688, in Amsterdam, the work "Instrucție van het Italiaans Boeckhouden". To establish correspondent accounts, Abraham de Graaf, for example, uses two pairs of questions: "who receives?" and "who gives?" in the case of third-party accounts and "what do I receive" and "what do I give" in the case of value accounts. It is the division of accounts in three classes⁷.AscuțațiCitiți fonetic

A representative of the French school of accounting, in this century, is Claude Irson, who publishes in 1678 a paper which recommends the use of three journals: He was also the first to use the term "balance sheet" instead of "closing balance", a small, but beneficial "revolution" in accounting pattern.

We have to highlight one of basis for the Accounting emerging recognition in the twentieth century: *the Newtonian mechanics*⁸. The motion law is something alike *understanding accounting*. "Understanding", even in this case, is focusing on principles the actions, phenomena in discussion, dealing with the ability to change something, more than a prediction. Everything is moving, purposive actions are taken place and Accounting accompanies these movements, activities and records them.

Moreover, in our days, some authors⁹ speaking about *epistemology* and *rationality* (i.e. the sense of science), present 4 (four) *accountability conditions* (we may say *account-ability*) in order to define *pure rationality*:

discernment
transcendence
responsibility (exactly the sense of accountability)
review (the capacity to)

Conclusions

Significant for what we are already presented in this paper is the fact that *Accounting* developed in Mercantilism accompanies and supports the market. The reason of the market and entities functioning, in accounting terms, is the following one: *the payment received and the performed one are considered the two basic operations of the trade*.

It remains the vigilant Accounting system, in order to record the operations of input-output, import-export, in these zones. The logic of the system consisted in starting from the left, with the receiving of goods, money, services (exactly like the writing in Latin) and then, in the right side, the payments, the putting in consumption and circulation and so on.

Practice is thus the engine that grounded the development of the accounting processes and techniques.

Classical economic theories are based on mercantilism and laissez-faire roots, i.e. free and open markets and a little proportion of Government interventions. Individuals and entities have decided in their self interests, according to the market laws: demand and supply. Therefore, for an increased international trade, for the development of manufactures and for societies as a whole, it was compulsory the existence of instruments and mechanisms to measure and quantify the entries, exits, of goods and services-in a sum, the movements of goods and services- in the economy. And, these tools were provided by *the Accounting science*, emerged and enlarged starting with the seventeenth century.

The combination between practical needs and the theoretical works of accounting authors eventually led to the development of the accounting science. Recording all economic operations has always been a goal, especially under the current conditions, when the effects of globalization are more and more obvious.

Accountancy, in the form developed in the XVI-XVII centuries, is almost the same and contributes to the proper functioning of entities as an outstanding firm's sub-function. We have to learn from past theories and experiences and improve our labour methods and instruments towards development and prosperity.

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