

THE NECESSITY OF AN ACCOUNTING HISTORY

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Abstract: *Most often, accounting professionals refer to its history to justify its status as a university discipline in terms of seniority, of accounting "veneration". But the history of accounting is not a mere curiosity or an intellectual exercise. Generally speaking, since antiquity, history was regarded as being also practical apart from its theoretical dimension. In this sense, Aristotle said that "if you want to understand something, see how it arose and how it has developed". Classically, there is a dichotomy between the conventional approach to history and the one characteristic to social sciences. From this point of view, it is said that a historian studies the past, while the social sciences researchers will use the past to understand the present.*

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1. The need and importance of a research of the past of accounting

The research perimeter chosen explicitly for the study of the history of accounting can be the international or national context. Even if for the study of the history of accounting is chosen the national context, by default, the studies for each country can be the basis for understanding the phenomenon of international accounting.

In this respect, there can be identified four forms of international history: the country-specific studies, comparative studies (archaeological studies), genealogical studies and international studies:

- Country-specific studies are limited to the accounting phenomenon specific to that and by default there is a comparison with the situation in other countries ;
- Comparative studies (archaeological) compare explicitly the accounting from two or more countries;
- Genealogical studies explicitly investigate the causal connections between two or more countries ;
- Transnational studies investigate the accounting phenomenon without regard to national restrictions.

Regarding the accounting, since 1904, Haskins said that the history of accounting allows a new approach to how we understand the present, but also to control and predict the future. Such an approach enables the identification of a progressive development of accounting allowing a systematic development of techniques and concepts of accounting [Carnegie and Napier, 2000]. So in terms of our approach, either partially reject the classical theory on history approach, (most historians now view their work as being of great importance for understanding and solving contemporary problems), or we frame accounting in social sciences, the result will be the same, the historical approach to accounting surpassing controversy about its status.

On the same importance is Littleton, who, in the preface to the second edition of his book says that in order to appreciate at its full value the soundness of the basis on which accounting relies on, we must realize how important accounting items that have resisted in time through their use are. J. R. Edwards points out that examination of past events offers at least the opportunity to appreciate the complexity and duration of events facing

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accounting currently, the knowledge of the past serving as guardian in the way of hasty judgments and premature adoption of seemingly simple solutions [Edwards, 1989].

In particular, the accounting history illustrates how to establish accounting in a system of knowledge and skills relevant from the professional point of view, likely to shape and transform social relations [Lemarchand and Nikitin, 1999].

S. Chen surprises this situation, justifying the need to study history of accounting in relation to its environment, too : "The history of accounting shows a complex relationship between accounting, organizations and society. Not only does the accounting system evolve in response to political and socio-economic environment, it also plays an active role in shaping and influencing organizational and social transformations, which in turn creates opportunities for its own transformation.." [Shimin, 1998]

The quote highlights the fact that the development of accounting reacts to economic needs, but do not underestimate any accounting impact on the evolution of the economy, because there is an interdependence between the two processes. Accounting is designed to help the economy, the sophistication of accounting techniques being expected to lead to a higher rate of economic growth. On the other hand, it is equally true that, occasionally, appears the phenomenon of manipulation of accounting information with the intention to influence decision making or to justify certain actions in the past and are economic consequences not necessarily positive. One example is the omission of recording depreciation on British railway companies in the nineteenth century, which enabled the reporting of profits and, as a consequence, the distribution of fictitious dividends, which resulted due to the de-capitalization, to delays in the construction of certain segments of tracks, or even the cancellation of building others, with obvious negative economic consequences.

Approaching history through accounting only may therefore lead to rupture of the economic reality in which accounting evolves. On the other hand, a particular problem can rise in the economic explanations of accounting. Most of the renowned researchers in the field of accountancy have a formation in which the primary role of accounting is regarded as the technical instrument in the service of economic decisions [Carnegie and Napier, 2000]. The explanation is that most of those researchers had a primary or secondary economists formation. For this reason, the classical approach is to look at accounting evolution in terms of its ability to provide useful information in making decisions.

Essentially, on the one hand, history of accounting encourages the researcher to see accounting as interdisciplinary and in close correlation with the environment around it and, on the other hand, supports contemporary studies in policy, practice and normalization. It reveals accountants people, ideas, experiments and lessons which constitute a valuable legacy, informing us on how they reached a certain presently applicable accounting convention. It must be concluded that, as long as the conditions that triggered the application of certain accounting practices remain unchanged, it is unlikely to change that practice. Even if there was a better practice, mental inertia of humans tends to preserve the old ways - conservatism manifests itself, after all, as a general tendency to keep the old ways to the new.

CAH (Committee on Accounting History), a body founded in 1968 with the stated aim of promoting research in accounting history justifies the need to study the dual accounting history: the approach both intellectual and practical.

- From the intellectual point of view, CAH showed that such a field emphasizes the process through which thinking, accounting practices and institutions were developed, identifying environmental factors that have induced changes and revealing how these changes occurred. It also seeks to determine the effects that the changes that have occurred in thinking, accounting practices and institutions have

had on the environment. Finally, it contributes to a better understanding of economics history.

- From a practical standpoint, CAH stipulates that history reveals the origins of concepts, practices and institutions used today, causing an insight on solutions to the current problems of accounting. Giving an understanding of past interactions between environment and development of accounting, becomes somewhat easier the prediction of consequences that accounting solutions currently proposed may have.

The famous English author Brown, stressed in a treaty of "History of accounting and accountants" that "Anyone who has the desire to become a master in art history must study history first. Without historical foundation of our knowledge is poor and the judgment of present phenomena is incomplete and lacks maturity."

In the same context, more than three centuries ago, the great French enlightenment philosopher Rene Descartes, stated: "...one must read the writings of old people, because their relationship gives us the huge advantage to be able to use the work of so many people either to know these things which were ingeniously discovered before, either to know what remains to be discovered from here".

For C. G. Demetrescu research of history of accounting is a process which can collect "valuable information that can be used in research that will be taken by those looking to fix the principles that underpin this science in its applications" [Demetrescu, 1972]

2. The usefulness of studying accounting history

Accounting history can be useful in many ways, both theoretically and practically. To highlight some of the reasons that can cause serious study of the history of accounting, I will take a series of steps belonging to Garry J. Previts, Lee D. Parker and Edward N. Coffman and published in the article "Accounting history: definition and relevance" [Previts et al., 2000]. The relevance of accounting history is presented three-dimensional from the following perspectives: pedagogical, political and accounting practice.

2.1. The utility of accounting history as a pedagogical approach

From the pedagogical point of view, as a school subject, we can not say that history of accounting is favored, few countries providing it in the curriculum. Arguments for studying the history of accounting both universally and nationally, are multiple. Thus, a traditional profession should educate its members so that they can appreciate the intellectual heritage that belongs to them. It is true that in Romania carrying the tradition has not actually been at « home ». It is noted that interested in studying the history of accounting concerned either consecrated teachers since before the Second World War or very young teachers, practically trained after the revolution of 1989. This is because a whole generation has been deprived of the right to promote their own values and judgments during the regime of Moscow origins.

Another reason for studying universal history of accounting is that in the long term, many concepts, studies, accounting techniques can be lost,

A study shows that, in terms of students, the effects are beneficial, considering that relevant examples from the past help them to better understand the theory of accounting: "[case studies in which students take active part in opposing teams] has brought benefits in <bringing accounting to life> and in challenging students' enthusiasm for the wealth of accounting history" [Craig and Greinke, 1994].

Another reason quite important is the fact that the lack of historical accounting in connection with the environment developmental stage, or in other words, ignoring the

analysis and interpretation of developments of practices and accounting thinking, may lead researchers who base their analysis on empirical studies to the risk of building judgments on sand, as long as the basis for their studies can be the incomplete or misleading information about the series of the data they use. To support the last point one can be appeal to the article belonging to G. Previts, L. Parker and E. Coffman, who make references to a series of studies that shed light on a series of major risks a researcher who ignores the past may face.

2.2. The usefulness of accounting history in policymaking

Accounting and other areas of research provide knowledge about the past as the basis for understanding contemporary issues. For example, analysis of transcripts of legislative deliberations on accounting can provide valuable knowledge about politics and government plans and can provide guidance for achieving a legislative national accounting framework (such intention to attract foreign investment or to potentiate new financial instruments may lead the adoption of certain accounting principles such as the principle of substance over form, while a policy of restriction of credit in the economy may lead the central monetary authority to extend the principle of prudence). The study of history helps decision makers to better understand the causal relationships between political decisions and their economic outcomes (or accounting, social, environmental, etc. depending on what is envisaged).

2.3. The usefulness of studying history through accounting practice

Practitioners, including those responsible for developing procedures and accounting techniques, as well as those providing multiple specialist services can gain greater flexibility by knowing the methods and techniques used in the past and understanding the past may confer also a basis to assess the success or failure of measures and practices adopted. Study on the past conditions and comparing them with the actual decision may underlie the revival of earlier practices or develop new practices. Moreover, the study of history of accounting practices and governmental auditing can support the formulation of current policies impacting on accounting. For example, diminishing inflation was achieved in many countries through a broad tax reform that involved quite often reforming accounting practices, too.

So, studying history can help accounting departments at least anticipate its development: "Today, the real-time global integrated information is almost a reality, suggesting new accounting paradigms. Understanding the history of [accounting] is needed to establish causal links existing and predicting its future."

I. Ionaşcu appreciates the utility of an accounting history research by the fact that it [Ionaşcu, 2003]:

- (i) can contribute to improving accounting normalization, avoiding errors that occurred in the history of accounting codification process;
- (ii) can be a complementary tool in teaching, as a presentation of the historical development of accounting concepts and techniques can allow a better understanding of the doctrine and practice of contemporary accounting;
- (iii) is a guide to refining accounting language through the study of the historical meaning of various accountating terms;
- (iv) can be an alternative thinking tool for accounting through historical and comparative approach doctrines and accounting practices.

3. Limits of accounting history research

There are a number of factors that hinder research of history of accounting. One of the most important is the likely cultural import phenomenon [Merino and Mayper, 1993] as it may determine that the research be impaired by non-recognition of such imports, which could cause incorrect analysis of the causes that have determined certain accounting developments. After studying the evolution of different accounting systems, the conclusion that we drew would be that, most often, cultural import causes a discontinuity of current practices which can be easily recognized when a civilization is required before the natives, either by direct or indirect conquest.

As simple examples, we can mention the influence ancient Mesopotamians had on the peoples within their areas of influence, the accounting from the Italian Renaissance, or the influence US accounting standards exert worldwide. Romania has experienced several such cultural imports :some indirect regarding accounting (in the late nineteenth and early twentieth century, were widely used the Western accounting systems, which were "imported" according to the countries where the specialists and teachers of accounting were completing their education) others direct, as the Soviet-inspired accounting system or the current one, which is essentially a takeover of International Accounting Standards.

Another risk is imposing current values on events in the past. The danger of this transfer greatly increases when using a theoretical diagram to explain a particular phenomenon. Often, schemes help to explain certain phenomena, yet they restrict possibilities for interpretation. The scheme in this case is that, in order to record something, anything, first they should invent writing. For this reason, the thesis paragraphs are not built with a certain pattern, sometimes being the prevailing inductive technique (especially during the pre-capitalist period), sometimes the inference being first, depending on the specific of the materials analyzed.

Justification for the merge between the two techniques comes from the very nature of history of accounting addressed in its socio-economic context, combining in this way the characteristics of historical research with those of social research : "remains generally true that historians examine particular samples and adopt a conclusion through induction if the evidence forms recurring patterns. Researchers in the social sciences, on the other hand, frequently adopt a approach in which, deductively, they seek specific examples of events that bear a priori generalizations about human behavior. And generalizations are essential because of the inexhaustible wealth of historical detail".

Moreover, if there was a single methodology for gaining new knowledge, a researcher's activity would be limited by imposing a single way of thinking, knowledge discovered by him may be limited or, even worse, misleading: one way only to acquire new knowledge "can squelch creativity and alternative visions. Understanding the history of alternative methodologies may allow scientists to prevent a narrow viewpoint on the acquisition of knowledge" [Merino and Mayper, 1993].

4. Conclusions

The research issue should be approached with caution because history is dependent on the existence of evidence available and what is an important element of generating changes in a particular country may be irrelevant in another reference system.

Internationally, it is well-defined the view that each generation must rewrite history according to its specific problems and aspirations, and to our generation, one of the key issues is globalization.

Accounting history helps us know who we are, where we come from and how we are here [Oldroyd, 1999].

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