Chapter Eight

CONCLUSION
The intention and details with which the previous chapters have been prepared may be reproduced, in short. Thus, accounting, as an organized discipline though could be found new, yet, in the rudimentary form of record keeping of financial dealings, it must be one of the oldest. Since the history of man has always been connected in some way to the economy, it is not surprising that written notes very often accounted for some economic events. More emphatically, it has been argued that writing, as an art and a means of making permanent record, was invented for keeping accounts and most of the early written records, would consist mainly accounts. In the simplest possible situation, it may be merely a matter of memory and of oral reporting. Even when written records were kept in simple situations, they may often be crude and inadequate, with memory being relied upon to fill in the gaps. In more involved complex economic situations, accounting is, however, more prominent and best developed. There the detail-accumulation and reporting processes rest upon some conventions and principles. This underlying body of conventions and principles, under the dictates of socio-economic environment, generally came to be designated as accounting. The history, no doubt, indicates that accounting grew, bit by bit, out of adaptations and improvements, distinctly in response to social needs. Though the exposition of the subject came through the publication of "Summa" by Paciolo in
yet, the evidences of its application in the solution of socio-economic problems date back to the dawn of recorded history. The recognition of private property may be attributed to one of the first accounting events that led to the necessity for records as regards its maintenance and protection. May be that one day it was started with the sole objective of recording incomings and outgoings, mostly in kinds, followed by cash receipts and cash payments, in the next. Afterwards, claims and promises, in terms of cash, either directly or indirectly, must have also been made to follow the suit. In any case, a mechanism was somehow developed by which records of inward and outward flows could be counterpoised against each other. In the absence of any wilful efforts for reproduction, ancient wealth would constitute mostly stagnant wealth. So, the system to record mainly the movement of such stagnant wealth, could at once help to arrive at, whenever necessary, a measure for the current stock capable of being confirmed by physical verification. In fact, accounting, in its origin, was just a device to help maintaining or safeguarding resources having no relation with any wilful effort for their increase or decrease. The objective of recording, vis-a-vis accounting, could be found to remain confined, till that time, to protection and verification of stock only.

The history of civilization reveals that the ancient economy, in most cases, was dominated by state ownership which began to loosen in Grecian Empire and in the next Roman Empire.
and made ways for Feudalism (Salvary, 1951, V.2, p.365). In all these ages, the scribes, who were called stewards in the subsequent period, were entrusted with the responsibility of maintaining the economic records, pertaining to the state or the empire or the manors. Thus, in good old days of state administration, accounting was primarily motivated by a sense of stewardship alone. Natural economy was predominant and in such an economic community, the need for recording transactions was felt minimal. Records of human activities, to the best, did not go beyond the boundaries of mere memorandum. Born as a description of resources, accounting served the purpose of truthful servants in those days. Stewardship function of accounting would serve the objective of protection and verification of resources, as they belonged to sovereign state or states or individual lords. It was resorted mainly as a proof of honest discharge of stewardship responsibility, on the part of the stewards or any other agents.

Although from the dawn of civilization, people were found involved in some transactions, either mutual profitation of gifts or donations to temples or exchange of economic endeavour, yet, there are no records which can be called 'accounts' in the modern sense of the word until medieval period. All the antecedents of modern accounting (for example, wealth, private property, labour, writing, etc.) were present in all ages. But in the absence of organized commerce i.e., interchange of equal goods and services, private property had not been productively employed as capital.
to create further property. It cannot be said that there was no instance at that time of utilizing resources for regenerative purposes. But that must have been in a very crude and latent form and the number of cases involved was extremely few and far between. Thus the institutions of private property, capital and commerce and subsequently credit, which latter stood indispensable for the expansion of accounting, remained inert for a very long time (Huh, WPS, pp. 7-10).

However, the realization about the limitation in the supply of resources engendered sub-division of economic endeavour towards wilful reproductive efforts. The environmental characteristics during the beginning of the medieval period forced the feudal lords into parcelling some of their lands and possibly it helped among other factors, to a great extent, in the emergence of an exchange economy. With the advent of an exchange economy replacing a subsistence society, and with the exchange ultimately producing a private economy, the need for proper records gradually mounted which finally transformed into organized accounting (Salvary, P. 360). Exchange of equal goods and services, either artisanal or capitalistic, bit by bit, formed an act of commerce, which rationally caused the society to transform into a different one and, in which profit motive replaced the satisfaction of basic wants as man's main driving force. The history of civilization bears a testimony that the developments in socio-economic environment have, to a large extent, been owing to their indebtedness to the growth and expansion of commerce and trade. And it seems
that accounting evolution is the outcome of continued efforts made by mankind to meet the necessities of trade as they gradually developed.

The advent of monetary standard as a reliable currency, coupled with a sound number system, gave impetus to the rapid development of commerce. It not only helped creation of a foundation of book keeping methodology but exerted tremendous influence on social advancement. The exact calculation in terms of money became possible only when technical progress was able to provide a sound number system (Indo-Arabic) and a reliable medium of exchange. Although there cannot be cited an exact time when stagnant wealth of the ancient civilization turned capital of the productive units, but it is claimed with precision that the development of coined currency, monetary standard and sound number system accelerated the rate of commercial activities through which accounting methodology gradually culminated (Yorston, Proceedings, 1970, P.97).

The introduction of book keeping was not an isolated phenomenon, but part of the general awakening, when men's mind after long gestation, in a measure, broke from tradition of the past and began to think along new lines (Zeff and Keller, P.353). Double entry system of book keeping appeared from such a socio-economic background. It not only served the purpose of the time but the test of accounting propriety could well be evidenced from its continued service to the society, even today, in a much broader perspective. The increased scope and complexity of
extended commerce has taken the owners of most organisations out of the realm of capabilities of a single human being. It has forced the delegation of responsibility and thereby, brought about the growth of a more formal written expression of instructions and reports to supplement the less interaction between members of the organisations. Preparation of the formal accounts possibly started with the spread of terminable ventures. The emergence of venture accounting was perhaps the response to the environmental stimulus of the ephemeral nature of capital in a trading economy (Salvary, P.365). Due to the confluence of growing knowledge in the naturally related fields like economics, law, sociology, measurement, communication, information system, etc., the field of accounting also responded to move ahead, though in a reluctant mood, to a wider and diverse plane and invariably to a wider complexity.

The subsequent period witnessed a radical transformation of idle resources into organized capital and thereby created an entrepreneurial class. Venture activities of the past started to be replaced by continuing enterprises of distinct entities, may not be legal in every case, separate from the owners. As complexities went further, the need for more and more finance and varied administrative skill caused the continuing business entities to undertake various non-corporate forms of organizations and, at last corporate form was added to them. The business replaced by entrepreneur, the enterprise represented by its capital thus necessitated that the capital to be bounded by
a new concept 'limited liability'. The personality of the owner was separated from that of the business and made it reign with personalities of the creditors and other transactors. All these developments in the socio-economic environment posed a thrusting challenge for accounting. Accounting did not lag behind in adapting itself to all these changes and finding out adjustments in its methods suiting the demand of the time. The most important turning point in the history of accounting has been the separation of business from its owners. Because such a separation must be seen to lie in the accounts and it was and, still is, the accounting system that made this separation both possible and feasible.

Born as a mere historical description of economic facts, accounting gradually developed into an instrument of measurement and communication. With these evolutions, there arose the need for accounting theory capable of identifying, explaining and judging economic facts in an entity. The objectives as well as the functions of accounting expanded from mere discharging of stewardship responsibility to formal reporting. Along the line of development, the more restrictive definition like "accounting is the science of recording transactions in money or money's worth in such a manner . . . . . . that accounts prepared at any time from the records thus kept may show the owner of the books his true financial position" (Cropper, P.1), has been expanded and redefined. The new definition thus came, goes, "accounting is the systematic recording of transactions in a manner which
enables the financial relationship of business with other persons to be clearly disclosed, and the cumulative efforts of the transactions on the financial position of the business to be clearly ascertained" (Spicer and Pegler, P.1). The system of capital accounting, more specifically, a statement of assets and liabilities in simple situations, would reflect the financial position of an enterprise, in earlier days. Financial statements had its root in those rudimentary statements which primarily developed through the balance sheet. In a balance sheet only the future inflows of goods and services (assets) and future outgoes (liabilities) were recorded but also it would facilitate the determination of increment or decrement in the total stock by a comparison between two totals (opening and closing). Modern balance sheet represents the status of the entity i.e., the financial position of the enterprise indicating the use and care of owner's and investor's fund at a specific date. The users interest in financial statement did not remain confined to balance sheet for long. An urge for adequate knowledge about the enterprise earning power and the sources of earning led to the preparation of profit and loss account. A profit and loss account, by itself, shows the results and progress of an enterprise within a given period with their detailed causes. In the history of accounting, the determination of periodic profit of a going concern was an outstanding landmark:
and an achievement of, possibly far-reaching consequences. Accounting thus has been defined as "the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are in part, at least, of a financial character and the results thereof (ARB, 7). Determination of true results required the introduction of newer and newer concepts and devices for the purpose and at the same time floated host of controversies clustering around it. It has not been possible to put an end to all these controversies, rather several equally acceptable alternative practices have evolved for the accounting treatment of the identical items which were almost simultaneously employed. Efforts have been made in the past and are still continuing to reduce the gap in the reported results due to the existence of several alternatives. But a comprehensive set of rules that can ensure the identical accounting treatment of the same kind of transactions in every case, are still far from being achieved. Yet, from the relentless efforts of professional bodies (AICPA, ICAEW, etc.), statutory bodies (SEC, etc.) and academic bodies (AAA, etc.) in developed countries, a common platform of Generally Accepted Accounting Principles (GAAP) has been established. More efforts are underway in order to arrive at a uniformity in the sphere of determination of operating results and to ensure maximum disclosure of true and fair view of the state of affairs. International co-operation and coordination has been attempted in recent decades
through the formation of various international organizations (IASB, ICAP) in this field and thus created an avenue for exchange of ideas and results towards a more harmonized discipline.

It is quite realistic to think that the present socio-economic system is quite different from anything the world has known before. It is doubtful whether anyone now alive thoroughly understands just what is happening in this economic system and is capable of imagining what its future shape will be. Clearly an evolutionary process is going on. Evolution here means "a manifestation of related events or ideas in an orderly succession" (Webster's New International Dictionary). Here it seems fairly worthy to look into a very interesting comment, which reads, "one would at least be able to hope that by gradual improvements, effective statements could eventually be developed. But gradual improvements are quite inadequate in the world which we attempt to serve. Because the rapid and fundamental changes that are occurring in business are developing new problems faster than we are solving old ones. Thus while we are doing many admirable things, our backlog of unsolved problems is growing rather than diminishing" (Ross, H. I; P. 110).

The problem of 'rising prices', the problem of 'quality of life' evaluation, etc., are the examples of such problems which are moving at headlong speed spreading so many other consequences in the sphere of profit determination and performance measurements and reporting of true financial position. The problem of
accounting for price level changes was dealt with in all seriousness from the beginning and many models for various remedial adjustments began to come out at the hands of the professionals. The academicians also did not lag behind. The accounting literature also came to be infested about this time by valuable contributions on income determination and other allied topics. Financial accounting, therefore, could be defined functionally as an empirical science the purposes of which are to increase the purchasing power of accounting entities and to accommodate the resulting measures to both internal and external decision makers (Vickery, p.739).

The economic emancipation around the beginning of the nineteenth century gave rise to a tremendous expansion in accounting philosophy and methodology. The most remarkable economic event of this era has been the industrial revolution, which by then, was well on its way, created impetus for the maturation of different accounting techniques for internal management purposes. Historically, the particularized information, which constituted the emergence of accounting, was embedded in a framework of management control. The discipline of accounting thus has been blessed with newer concepts and its horizon has accordingly been redefined to encompass newer objectives. More in tune with the idea of accounting for internal management purposes, accounting has been defined as "a tool in the control of economic activities" (Rorem and Kerrigan,P.3). It has also been
described as a discipline which provided financial and other information essential to the efficient conduct and evaluation of the activities of an organization. Accounting emphasis has veered from the measurement of status of investment to account for management performances in terms of net income. The exercise of control through the accounting reports had always been there in the administration of finance. But its dimension has expanded with the increasing socio-economic complexities. Accounting objectives have moved over the centuries away from the original fraud prevention to the areas of managerial efficiency measurement, minimizing costs of operation, increasing profitability of operation, maximum utilization of resources and so on. Never and newer techniques have been added to the existing accounting structure, for example, cost accounting, standard costing, budgetary control, responsibility accounting, planning-programming-budgeting system, etc. All these techniques surrounding accounting afforded the subject to lend a big hand in the struggle for economic emancipation not only at the enterprise level but also extended to the national level. Accounting thus has come up as an economic x-ray of its financial anatomy so that control elements can be easily identified and legitimate remedies can be timely applied.

Accounting in the present century is seized with the problem of information explosion in a greater scientific atmosphere. The dynamism of this present era has thrust the
subject of accounting into a crucial role. Changing social attitudes, combined with developments in behavioural sciences and information technology have been found to affect often radically the environment in which accounting operates (Glautier and Underdown, 1974, PP.1-10). Management, investors, owners, labour, government agencies and all in the society depend on the accounting reports for every vital decision. In the context of newer orientation it thus has been described that the beneficial exposure of accounting into an information system, which increased its importance not only for enterprise purposes but for all types of economic studies and decisions (Enthoven, 1975, pp.9-26). The present involvement of accounting in enterprise management resulted in an increasing realization that a knowledge of the background of the accounting action can help insure that future actions are rationally derived and, therefore, more dependable. The discipline of accounting, could be found, now-a-days not only to deal with the 'supply of information' about the results of past activities but also extends its area of operations by projecting future possibilities.

It can thus be seen that leaving behind the days of historical focus on manorial status and progress, accounting, at present, acquired the prestige of a vital instrument in the socio-economic development process with its potential of providing information for managerial decision making. The late twentieth century explosion of multi-national involvement in
economic development efforts and the multi-facet dimension of the current financial environment reinforced the urgency of the traditional accounting for a move in the direction of innumerable adaptations thereof. Accounting, in this environment, has been enriched with such a capacity to help tackle problems rationally, to break them down analytically and to balance their pros and cons objectively. Possibly, in the final analysis, this is the very essence of the role of accounting in the modern society.

Significant discussion on accounting theory has been in full course for some years now. Only in the last few years have attempts been made to integrate social effects of business activities into accounting system. Most recent stride in the field of accounting has been identified as the foundation for a theoretical background in order to describe, ascertain and explain the effects of business activities on social environment. Accounting in recent years has been resorted to 'quality of life' measurement in terms of non-economic, non-transaction events. It is quite indicative that accounting, under the prevailing socio-economic environmental pressure, posed to move ahead towards the objective of social responsibility and thus putting a limit to the overwhelming emphasis on the concept of profitability. The present is characterized by the social awareness that business as well as government must be held socially accountable for their actions. The usefulness of
accounting today is judged in terms of the benefits which it may bring to the society, rather than the advantages which it may confer to its individual members. The developments in technology and their impact on the economic system imposes a structure on its society which not only determines its economic activities but also influences its social well-being. The environmental stimulus of corporate social responsibility thus evoked the accounting response of socio-economic accounting — a further expansion of the accounting horizon. It is, therefore, defined, "as the art of and/or science of measurement and interpretation of activities and phenomena which are essentially of social nature" (Seidler and Seidler, P.3).

Accounting has adopted itself in the past fairly well to the changing demands of the society. Therefore, the history of commerce, industry and government, in one phrase, socio-economic development is reflected, to a large extent, in the history of accounting. It is quite true that accounting has responded to the needs of its surroundings and, played an effective role in the society. The documentation of this changing role and the revised orientation given to the accounting objectives, as referred by Enthoven thus reflects the underlying characteristics of accounting evolution. Accounting thus evolved as a means of providing information for the purpose of decision making regarding the use of limited resources, effectively
directing and controlling human and material resources, maintaining and reporting on the custodianship of resources, facilitating social functions and control (Enthoven, 1975, P. 21, 113). Accounting must continue to serve the objectives of the future world of unpredictable socio-economic environment, in the same manner as it set the compass in the past and present.