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Reflections on the origins of modern accounting

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Abstract
The purpose of this paper is to use an historical lens to assess the prospect for West’s (2003) challenge to accountants that, in order to halt the demise of accountancy as a profession, there is a need for a body of knowledge with sufficient cognitive authority to generate accounting numbers that are functionally fit for use. The paper uses two origins of modern accounting to consider West’s challenge. These are double-entry bookkeeping and accountancy professionalization, both argued to be primary influences on the current state of accounting and the accountancy profession. The historical consequences of both origins are observed as an ambiguous relationship between the accountancy profession and the state, an accounting practice without a coherent and consistent theory, and accounting research that is largely irrelevant to practitioners and standard-setters. The paper concludes that, unless accountants identify and control an authoritative body of accounting knowledge, there is little prospect for halting the demise of accountancy as a professionalized occupation. The paper suggests that an appropriate conduit to identify an authoritative body of knowledge is accounting research and a relevant means to control it is the social closure of accounting education and training programmes.

Keywords
Accounting education, accounting theory, conceptual framework, modern accounting, professionalization

Introduction
It is several years since the publication of West’s (2003) acclaimed study of the dubious professional status of accountants and their overdependence on arbitrary accounting rules (Staubus, 2004a). Based on a doctoral thesis at Deakin University, West’s book received the AAA and AICPA Notable Contributions to Accounting Literature award in 2008. His principal argument is that, in order to retain their professional status, accountants need a body of knowledge with sufficient cognitive authority to produce accounting numbers that are functionally fit for use (West, 2003: 194–195). West (2003: 195) concludes:

In even the most favourable of circumstances, progress of this kind may take considerable time. However, present contentment with the imposition by regulatory fiat of demonstrably defective technical practices has stifled the possibility of such progress. To break free of this inertia and pursue an intellectual foundation...
for accounting practice is the challenge that still confronts the accounting profession. Indeed, it is upon this challenge that the future of accounting as a profession rests.

West’s observation that accountants appear content with a defective practice remains valid (Gleeson-White, 2012: 199). The accountancy profession’s only recent actions that remotely relate to his challenge are attempted revisions by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) of their conceptual frameworks. However, relatively little progress has been achieved on work first commissioned in 2004. The FASB and IASB continue to stockpile rules, and professional organizations such as the American Accounting Association are reduced to pleading for compromise to resolve disputes over conceptual proposals (FASC, 2012).

Because of this lack of progress, it is reasonable to consider West’s (2003: 195) assertion that progress towards an authoritative body of accounting knowledge is dependent on the passage of time and favourable circumstances. This paper contends that the recent slow progress at the FASB and IASB confirms there is a time issue. Additionally, the paper argues that favourable circumstances are unlikely because of the consequences of modern accounting’s origins. The two origins selected for historical analysis are double-entry bookkeeping (DEB), as the foundation of accounting practice, and accountancy professionalization as the social process by which accountants attempt to privilege their occupation. Both origins have been crucial influences on the current state of accounting and the accountancy profession. They are examined here with the conclusion that, if accountants are to halt the demise of their professionalized occupation, they need to commit unambiguously to identifying and controlling an authoritative body of accounting knowledge. That accountants effectively have not made this commitment to date says much for their contentment with a body of knowledge that comprises a stockpile of arbitrary technical rules without a cognitive foundation, and typically derives from contributions of non-accountants with no overall responsibility for accountancy.

Use of history

Hobsbawm (1999: 30–31) argues that the purpose of history is to provide knowledge about patterns and mechanisms inherent in past societal changes and from which contemporary plans and actions can be contemplated. This approach to history is adopted here in an attempt to bring perspective to the current state of accounting and the accountancy profession. More specifically, historical analysis is undertaken in order to assess the prospect for accountants identifying and controlling an authoritative body of accounting knowledge. Two particular dimensions of history are utilized. The first is “explanation”, with causality as the primary focus (Jordanova, 2000: 107–111). The paper argues that the current state of accounting and the accountancy profession is a consequence of historical origins and that explaining such a cause and effect is a necessary precursor to achieving the aforementioned prospect. The second dimension is “periodization”, where history is bounded within a defined period containing sufficient change from which to determine influential patterns and mechanisms (Jordanova, 2000: 114–140). In this paper, accounting is defined as modern accounting and starts with DEB as it originated formally in the fifteenth century, and ends with the regulated financial reporting of the twenty-first century. This is an historical period containing significant accounting innovation (e.g., cost allocations, prescribed disclosures, mandated rules and occupational professionalization) and being sufficiently long to permit proper assessment of influential patterns and mechanisms resulting from accounting’s origins.
West (2003) uses history as a tool in his analysis of accountancy professionalization and accounting rules. He reviews the early history of accountancy associations and identifies accountants acquiring occupational authority as professionals despite the dubious quality of their rule-based body of knowledge (West, 2003: 46–62). He discusses the later proliferation of rules by these associations in response to public criticisms of accounting (West, 2003: 88–98) and also examines the recent inconsequence for practice of different types of accounting discourse (e.g. normative, positive and critical) (West, 2003: 118–132). However, although West’s historical analysis assists in identifying relevant themes (e.g. occupational authority, associational involvement, and discourse), its argument and evidence prompt consideration of the origins of modern accounting in order to assess the prospect of identifying and controlling an authoritative body of accounting knowledge.

The remainder of the paper has several sections. The next two sections examine West’s (2003) analysis of accountancy professionalization and accounting rules, and discuss the main characteristics of modern accounting. Further sections identify DEB and accountancy professionalization as primary origins of modern accounting. A final section discusses the consequences of these origins in the context of West’s fear for the continuing demise of accountancy as a professionalized occupation.

**Accountancy professionalization and accounting rules**

West (2003: 1–3) reviews modern accounting from the perspective of accounting information relevant to the decisions of intended users and corresponding to the commercial phenomena it claims to represent in numerical form. This is consistent with arguments made by contemporary theorists such as Chambers (1966) and Sterling (1979), and in recent conceptual frameworks such as FASB (2010). However, West (2003: 4–8) argues that the current quality of accounting information depends not on decision relevance or representational correspondence, but instead on compliance with technical rules that lack sufficient cognitive authority to justify the professional status claimed by the accountants who use them. He goes on to discuss the nature, role and responsibilities of professions generally in order to reinforce this argument (West, 2003: 13–40) and identifies the specific need for a profession to have an authoritative body of knowledge.

West (2003: 41–63) further considers the status of accountancy as a professionalized occupation by examining the early associational history of accountants. He concludes their professional status was achieved more by social connections and political manoeuvring than by identifying and controlling an authoritative body of knowledge. Accountants, since their associational beginnings, appear to prefer prescribed rules unsupported by coherent theory. West (2003: 64–85) argues that current accounting practice based on rules does not constitute an authoritative body of knowledge in the sense of producing internally consistent accounting numbers that correspond truthfully with observable and independent evidence. Indeed, according to West (2003: 84), contemporary accounting rules use abstract concepts with little coherent meaning and supporting evidence (e.g. allocated costs and future economic benefits). He questions the proliferation of these rules and whether this condition has been a legitimate outcome of accounting failures in capital markets (West, 2003: 86–111). He concludes that the current state of accounting is due to professional associations and related bodies responding to criticisms of it by amending or adding to the existing corpus of rules rather than by addressing the fundamental issues underlying the accounting failures (West, 2003: 110–111; see also Gleeson-White, 2012: 199–200, 214–216).

West (2003: 112–139) also observes the current state of accounting discourse and criticizes researchers uninterested in improving practice, practitioners ignoring research, and standard-setters unable or
unwilling to use research. For West (2003: 138), unlike other professions, research in accounting is inconsequential to practice because practitioners are content with the current state of modern accounting and researchers are largely unwilling to challenge it or are perplexed as to how to change the status quo. These ideas are pursued by West (2003: 140–162) in relation to accounting education before discussing the implications of practitioners complying with prescribed rules. He argues that, again unlike other professions, accounting knowledge lacks sufficient intellectual content to require professional judgments by practitioners (West, 2003: 163–179). According to West (2003: 179), accounting rules thus diminish professional attributes such as authority, independence, and responsibility. He concludes by discussing accounting reform (West, 2003: 180–195), arguing that accountants need an authoritative body of knowledge for use in accountability and decision-making, and warns of the loss of professional status if such a body of knowledge is not found (West, 2003: 193–195).

The current state of modern accounting

The current state of accounting identified by West (2003: 110–111) involves what is typically described as generally accepted accounting principles, yet, because of their piecemeal development, these are effectively arbitrary and inconsistent rules mandating calculations dependent on subjective selections, classifications, separations and exceptions. Accounting students are typically taught these rules in the absence of theory (Carnegie and West, 2011: 502). In effect, existing accounting rules attempt to represent socially constructed realities such as profit or equity, about which there is no current consensus regarding construction, meaning, or use (Lee, 2006b). In these circumstances, it is unsurprising to find the most endemic issue of modern accounting addressed by West (2003: 74–79) is the relative lack of meaning attributable to reported accounting numbers because they lack empirical content and their calculation contravenes additivity. The latter is a fundamental principle of mathematics that different symbols of numbers cannot be aggregated or subtracted in order to produce meaningful derivatives unless the numbers themselves are concrete rather than abstract. Derivatives of abstract numerical aggregations and subtractions in modern accounting, such as profit or equity, cannot be verified empirically. Paradoxically, modern accounting rules permit aggregations and subtractions based on abstract numbers (e.g. unallocated and allocated costs, future cash flows and present values, and estimated fair values) in an attempt to produce representations of ambiguous social realities. West’s reasoning about meaning, empirical content, and additivity in modern accounting is consistent with previous arguments made by theorists such as Chambers (1966: 89–96) and Sterling (1979: 162–174). It conflicts, however, with contemporary arguments that modern accounting has acceptable “margins of error” (Myddleton, 2009) or that surrogate calculations such as deprival value are useful and acceptable (Staubus, 2004b: 277; Whittington, 2010: 108).

Meaningless accounting numbers constitute an economic hazard for their users because it is illogical to suggest that such numbers lead to meaningful accountability or decision-making. In addition, the risks of inadequate accountability or inappropriate decision-making because of meaningless numbers are exacerbated by dominant corporate managers intent on manipulating them either within the rules of modern accounting (Lee et al., 2008) or by obfuscation because of incomprehensible disclosures (Courtis, 2004). This raises the question of whether the quality of meaningless and, therefore, risky accounting numbers is capable of reform when modern accounting has been so resistant to change (see Sterling, 1977; Tweedie and Whittington, 1984; Zeff, 2007), and researchers so unwilling to challenge practice (see Hopwood, 2009; Parker, 2007).5

These issues of modern accounting typically have been ignored or misunderstood by accounting policymakers and researchers in recent times. However, very occasionally, there is a plea for
researchers to change their approach to researching modern accounting. For example, Parker (2007: 52–53) recommends a research policy agenda which assumes researchers are willing to engage with the constituents and issues of financial reporting, challenge accounting-related abuses, and forgo convenient short-term projects. However, accounting policymakers appear to prefer to focus on consistency (Schipper, 2003; Wüstemann and Wüstemann, 2010), convergence to one global standard-setter (Ball, 2006; see also Bengtsson, 2011; Chiapello and Medjad, 2009) and, more generally, fire-fight dominant issues. Unsurprisingly in these circumstances, the creation of a body of knowledge consisting of accounting rules is regarded by some researchers as a rational exercise in economic benefits and associated costs (Meeks and Swann, 2009; Schipper, 2010).

The origins of modern accounting

If, as claimed by West (2003: 79), modern accounting generates “illogical calculations presumed to yield meaningful outputs”, it is reasonable to seek explanations for this situation from its past. Modern accounting did not emerge in a vacuum and, instead, is a product of centuries of thought, action, convention, custom and habit. For this reason, two primary origins are considered here that have shaped the current state of accounting and the accountancy profession. The first is double-entry bookkeeping (DEB) which originated in the fourteenth and fifteenth centuries, and the second is accountancy professionalization which developed during the nineteenth and twentieth centuries.

Double-entry bookkeeping

DEB is the recordkeeping foundation for modern accounting and has its origins in the quantification revolution of the European Renaissance (Crosby, 1997). Although other accounting systems were in use prior to and after this period (Oldroyd and Dobie, 2009: 96–103), DEB emerged as a rule-based system capable of distinguishing different types of business transactions and accounts in a continuous recording process. DEB was intended to provide numbers useful to the owner-manager of a business with respect to memory, control and decisions, and was therefore a practical innovation in an age of quantification (Crosby, 1997: 69–74, 199–223; Oldroyd and Dobie, 2009: 103–108). Renaissance thinking about monetary records in commercial activity and the bilateral and binary nature of DEB also reflected an interest in visualization or the perception of reality by representations of it (Crosby, 1997: 129–137). Thus, DEB was perceived as the means to organize and make visible to the owner-manager the volume and detail of business transactions in a precise and controlled manner (Crosby, 1997: 208).

The influence of DEB on business from the Renaissance onwards was as dramatic in its effect as the computer, mobile phone, or internet of today (see Gleeson-White, 2012). From its inception, DEB connected not only individual accounts within a business, but also the accounts of different businesses. The result was and remains a global network of integrated accounts dependent on DEB rules, raising the spectre of an autopoietic or self-regulating system unmanageable by human intervention (Lee, 1990). DEB became a valued business resource and disseminating knowledge of it in printed form began a long history of modern accounting becoming public knowledge (Thomson, 1994: 55–62). In other words, DEB was the start of a process by which the body of accounting knowledge belonged as much to non-accountants as to accountants and thus made it impossible for the latter to use it to justify their claim for the professional status of their occupation.6

Widespread dissemination of DEB knowledge was due initially to Luca Pacioli, a theologian and mathematician with mercantile experience (Crosby, 1997: 210–223). Pacioli authored several
books, including the *Summa de Arithmetica, Geometria, Proportioni et Proportionalita* (Pacioli, 1494) (see also Macve, 1996; Sangster, 2010; Sangster et al., 2008). The *Summa* has a chapter entitled “*Particularis de Computis et Scripturis*” describing DEB. The newly-invented printing press permitted knowledge of DEB to be disseminated to merchants, property owners, teachers and students, and, initially, the orderliness and rule-based nature of DEB in textbook format was part of a pedagogical revolution involving orderly and efficient presentations of subject-matters (Thomson, 1994: 51–55). Later, the rules of DEB were used to provide managerial control of business organizations (Macve, 1996: 24).

Explanations of the contribution of DEB to modern accounting are assisted by an assessment of the pedigree of the *Particularis*. Pacioli was a mathematician and teacher with patronage from influential Italian families. It is difficult to overestimate the authority of the *Particularis* as an attempt by Pacioli to bring together existing ideas in theoretical and applied mathematics (including DEB) within a single influential text. This was a project to promote business activity as a legitimate aspect of Christian society (Macve, 1996: 17–18; Thomson, 1994: 49–51). According to Pacioli, use of DEB ensured mercantile activity was as pleasing to God as art or music (see also Gleeson-White, 2012: 96). Put differently, DEB represented a belief in commercial order sanctified by God (Oldroyd and Dobie, 2009: 107). It therefore assisted in legitimizing business activity in the context of the Roman Catholic Church as the dominant European social institution over several centuries (Aho, 1985). However, although DEB provided modern accounting with an intellectual and religious pedigree, it also contributed several longer-lasting effects.

**Additivity.** An enduring characteristic of DEB (and modern accounting) is its non-compliance with additivity (West, 2003: 75). Chambers (1984: 131) argues that, although Pacioli was a mathematician, he ignored a fundamental mathematical principle that forbids heterogeneous addition, preferring instead DEB rules that combine and offset heterogeneous monetary units of account. This inherent flaw in the *Particularis* has been repeated through the ages in practice and the classroom, and conditioned the thinking of generations of accountants and non-accountants. For example, it is seen in modern accounting when numbers associated with historical cost, allocated historical cost, present value, and fair value are added to derive further numbers such as profit, assets, liabilities and equity that are assumed to be meaningful.

**Rules.** DEB is a system dependent on prescribed rules for recording business transactions. The rules of the *Particularis* may have been intended by Pacioli to be consistent with the authority of the overall mathematical reasoning of the *Summa*. However, users of DEB developed the custom and habit of thinking about accounting as a calculational and non-empirical activity (Sterling, 1977: 236). The rule-based nature of DEB also made it an ideal tool for manipulative managers wishing to control their accountants (Sterling, 1977: 233–235): a characteristic of modern accounting very evident in scandals involving fraud, complex systems and dominant managers (Lee et al., 2008). More generally, DEB introduced the custom and habit of producing significant accounting numbers such as profit or equity by means of prescribed rules. Today, this is a major issue in the context of “principles-based accounting standards” (PBAS) as a response to concerns about numbers that are overly dependent on rules (Benston et al., 2006). Accounting standards, in the absence of authoritative theory and despite the intention of PBAS, rely on conventions and rules to achieve consistency as the main objective of financial reporting.

**Consistency.** Mandated accounting standards are intended to provide consistency, with occasional diversity permitted through exceptions (West, 2003: 67). The *Particularis* contained a set of
rule-based procedures to be followed consistently, but also argued that these rules should reflect individual business circumstances. Pacioli thus argued confusingly for both consistency and diversity in accounting practice (Crosby, 1997: 218; see also Sterling, 1977: 241–242): an ambiguous approach that persists in modern accounting. The contemporary requirement for consistency started in an early desire for uniformity (e.g. Federal Reserve Board, 1917) and is a direct legacy of DEB. The latter, however, was designed initially for the relatively simple mercantile model of the owner-manager of Pacioli’s time. The contemporary world of business, on the other hand, with the moral hazard of economic agency, complex organizational systems, and global business activity has resulted in a proliferation of accounting rules (Sterling, 1977: 260; West, 2003: 86). In turn, this has increased the proprietorial control by managers over modern accounting because standards permit them to allow for the specific circumstances of the reporting entity for which they are responsible. Difficult abstractions in accounting such as “asset” are dealt with by adherence to consistency rather than careful enquiry of the nature of the abstraction. Indeed, the degree of difficulty in dealing with abstractions has not inhibited growth in accrual accounting beyond the private into the public sector (Buhr, 2012; see also Gleeson-White, 2012: 176–193).

**Propriety.** The *Particularis* is addressed to the business owner-manager (Crosby, 1997: 216) because Pacioli intended DEB to be a system of repetitive recording to provide the owner-manager with order, control, precision and comprehension of his business and personal transactions (Crosby, 1997: 220). Pacioli recommended records in which the owner-manager by means of DEB rules was provided with private knowledge of profit and equity (Crosby, 1997: 216–219). In other words, the *Particularis* offered rules to bring together a large number of repetitive transactions into a relatively few accounts for the private use of the owner-manager. This urge for high-level aggregation has had the effect in modern accounting over several centuries of establishing the custom and habit of managers regarding accounting systems and numbers proprietorially as private information, particularly in the context of the agency separation of owner and manager (Sterling, 1977: 232, 236, 249; see also Imhoff, 2003). Indeed, the history of accounting disclosure by managers to owners reveals managers reluctant to disclose voluntarily or fully, reporting abuses by managers in the absence or presence of regulations and auditors, and expanded regulation or legislation to force managers to provide reasonable levels of disclosure to owners (Lee at al., 2008). Also, the independent audit was created to counter the proprietorial privacy of modern accounting first seen in Pacioli’s DEB (Maltby, 2009: 228–231). Pacioli may have intended DEB to produce accounting numbers to make the business visible only to its owner-manager. But the long-term consequence of this intention is that, in the current age of distant and temporary ownership, managers have to be forced to provide visibility to external interests.

**Compression.** DEB compresses a great deal of information about business activity into a relatively few accounting numbers. Although this process has the potential advantage of organized and ordered clarity, it tends to hide rather than reveal information about the reporting entity and is therefore beneficial in an agency situation for managers willing to manipulate and reluctant to disclose fully to owners. For this reason, regulators and legislators in recent times have mandated that reported numbers should be supported by explanatory disclosures. However, these disclosures have become so complex that they are incomprehensible (Courtis, 2004). Paradoxically, therefore, reporting invisibility is a consequence of the visibility intended by Pacioli.

**Profit.** The *Particularis* is explicit about the owner-manager needing information about business profits (Crosby, 1997: 216, 219; Fischer, 2000; Gleeson-White, 2012: 97). Consistent with the
notion of business as a legitimate part of Christianity, Pacioli emphasized the need for the owner-manager to have information about “reasonable and lawful” profits (Fischer, 2000). He not only elevated profit to be a central feature of DEB, but also perceived it in moral terms. This focus translates in recent times to two other features relating to ownership. The first is the pre-eminence of profit not only in business, but also in modern accounting. In corporate business, managers are held accountable for the generation of profits for owners and for distributing these profits as dividends. Indeed, business and accounting have been reduced to the single managed datum of earnings per share (Berenson, 2004). This has resulted in a further feature of modern accounting traceable to DEB – that is, the battle between managers, owners, and regulators over what is, to use Pacioli’s term, “reasonable and lawful” profit – a matter closely connected to contemporary undefined reporting quality labels such as “true and fair view” and “present fairly” (Hamilton and Ó hÓgartaigh, 2009; Lee, 1994). It is also a battle evident in the accounting numbers game (Levitt, 1998), in which profits are manipulated proprietarily by managers within the flexibility permitted by mandated accounting standards. Thus, Pacioli’s notion of “reasonable and lawful” profit can be seen as a precursor of a more recent issue over what is meant by reporting quality in the context of mandated rules (Evans, 2003; Kirk, 2006; Lee, 1994).

Theory. Each DEB rule prescribed by Pacioli is a practical rather than theory-based instruction, despite the fact he was a mathematician used to theoretical arguments (Crosby, 1997: 216–219). Thus, from the early beginnings of modern accounting, the emphasis has been on a practical subject involving practical rules to produce numbers for practical use. As Sterling (1977: 235–236) comments, DEB and later accounting became part of a calculational and non-theoretical practice. Consequently, in the context of the dominant authority of DEB, it took several centuries before writers began to look beyond rules towards theories that might inform, guide, and even predict practice (Lee, 2009). For example, in the early twentieth century, accounting was described as a branch of science (Sprague, 1907: ix). Hatfield (1909) reviews modern accounting and questions the authority of conventions such as historical cost and realization. Paton (1922) goes further by ignoring traditional explanations of DEB and provides instead a theory of accounting based on economic management. More recent normative theories of modern accounting include those of Chambers (1966) and Sterling (1979) that focus on reporting characteristics such as decision relevance and information reliability. Indeed, throughout most of the twentieth century, theoretical accounting contributions were frequent, controversial, but ultimately non-influential. Accounting associations and standard-setters, consistent with Pacioli, appear to prefer modern accounting as an entirely practical task. As West (2003: 80–83) argues, although the contemporary processes of accounting allocation and matching are intended to be guided by the recent innovation of the conceptual framework featuring abstract and vague definitions of financial statement elements, this is a position far from a practice informed by a cognitively authoritative body of theoretical knowledge. Instead, in the absence of such a theory, modern accounting is reduced to an exercise in arbitrary and subjective calculation that provides a veneer of precision because of its numerical form and dependence on rule sets such as in DEB.

Public knowledge. Abbott (1988: 226–239) sees accountancy as a quantitative information profession involved since the late nineteenth century in jurisdictional disputes with other professions such as law. According to Abbott (1988: 59–85; see also Walker, 2004a), in order to achieve social recognition, legitimacy, and status as professionals, nineteenth- and twentieth-century accountants and their associations managed a professional project to delineate the boundaries of the marketable services over which they wished to have authority to practice and claim jurisdiction. Such a project
should have resulted in what Larson (1977: 208–244) describes as the creation of a monopoly of competence in markets for services. Competence in this sense is the fictitious commodity of practical skills offered in market exchange, and monopoly is the closure created by practitioners when they assume responsibility as professionals for a defined body of abstract knowledge controlled by their associations within formal education and training programmes. Thus, in the case of modern accounting, the monopoly of competence associated with the early accountancy profession should have included DEB because of its functional role as the foundation for accounting practice.

However, as previously stated, when the *Particularis* was published it was with the intention of disseminating DEB knowledge publicly and widely (Macve, 1996: 4). Pacioli’s educational objective was thus inconsistent with the later professional project of accountants, in which the body of knowledge is typically and deliberately restricted to the occupational jurisdiction claimed by its practitioners. The *Particularis* was published, plagiarized, copied, amended and adapted over three hundred and fifty years prior to the earliest associational foundations in accountancy of the nineteenth century. DEB was taught, written about, and practised by generations of non-accountants as well as accountants. In other words, the principal consequence of Pacioli’s efforts to disseminate knowledge of DEB is that it became public knowledge. Given this legacy, it is unsurprising that the accounting superstructure of accruals and allocations of more recent times is also public knowledge through accounting standards exposed to public debate and contribution. This situation is consistent historically with the general observation of Larson (1977: 17) that professions are not always in control of new knowledge because much of it is produced by outsiders – that is, “a profession’s cognitive base can evolve in complete independence of the profession itself”. DEB is an example of that complete independence from the accountancy profession.

**Professionalization of accountants**

DEB significantly influenced business education and practice from the fifteenth to the nineteenth centuries (Edwards, 1989: 55–75; Hoskin and Macve, 1994: 71–80; Macve, 1996: 18–19, 22; Mepham, 1988: 16–18; Oldroyd and Dobie, 2009: 108–110). It was adopted by writers and teachers attracted to its mathematical symmetry (Yamey, 1949: 113; see also Yamey, 1979), and became part of school and university curricula, combining with subjects such as divinity, mathematics and engineering (Hoskin and Macve, 1994: 70–71; Macve, 1996: 19). Knowledge of DEB was achieved through rote learning, reducing its creative potential as a quantitative platform for later accounting innovation (Edwards, 1989: 71–72) and increasing its capacity to assist managerial control of organizations (Hoskin and Macve, 1994: 80–90). However, it was not until the middle of the nineteenth century that DEB was used widely beyond innovative commercial operations (Arnold and McCartney, 2008) or large financial, governmental, or religious organizations (Yamey, 1981: 129-130; see also Ó hOgartaigh, 2009: 164–165; Sangster, 2012: 503). Pre-nineteenth-century accounting tended to be practised either as DEB of a calculational, non-theoretical and non-empirical nature (Sterling, 1977: 229–236) or in other record-keeping formats useful in managing the operations of specific types of organization (e.g. charge and discharge accounting in landed estates, religious orders, guilds, universities, and government exchequers – Jones, 2008; Oldroyd and Dobie, 2009: 108–110); and single-entry accounting in capitalist farming – Bryer, 2006: 387–393). All of which changed in the mid-nineteenth century with the emergence of organized public accountancy.

**Emergence of public accountants.** The occupation of public accountant was slow to emerge despite a gradual economic transition from feudalism to capitalism (Toms, 2009: 345–346). Accounting
records prior to the nineteenth century were administered either by owners and managers with rudimentary bookkeeping skills learnt at school or specialist bookkeepers employed by larger organizations (see e.g. Bryer, 2006, passim; Freear, 1970; Mepham, 1988, passim; Robertson, 1984). Mepham (1988: 36–60) reports the capital city of Scotland in the eighteenth and early nineteenth centuries had a small number of public accountants who typically were also lawyers, bankers, merchants or teachers. Brown (1905: 183, 234) confirms this occupational scarcity and diversity throughout Britain during the same period, and Cornwell (1993), Lee (2011) and Parker (2004) reveal its existence in individual British cities. There were no professional associations of public accountants in Britain prior to the middle of the nineteenth century (Edwards, 2010).

Professional associations. Scottish public accountants founded city-based professional associations in the middle of the nineteenth century (Lee, 2006a: 26–45). These were responses to an economic threat to court services provided by accountants (Walker, 1995). Prior to these foundations, Scotland’s public accountants in its major cities were typically unorganized subsets of the legal profession (Brown, 1905: 182; Walker, 1988: 13). English public accountants had similar connections to lawyers (McClelland and Stanton, 2004; Walker, 2004a). In effect, therefore, a significant portion of the services offered by early nineteenth-century public accountants in Britain concerned court-related appointments and the management of properties and estates. Many accountants offered legal services and some lawyers offered accountancy services. Unsurprisingly, the associational model adopted by the initial accountancy associations was that of the legal profession (Napier and Noke, 1992: 36–37).

The early formations triggered later associations elsewhere in Scotland (Lee, 2006a: 45–47) and in England (Walker, 2004b), as well as in America (Miranti, 1990) and the British Commonwealth (Johnson and Cahill, 1971; Parker, 1989, 2005; Poullaos, 2009), and also resulted in post-foundational issues relating to the legitimacy of the associations (see below). Although these formations are observed by historians such as West (2003: 46–56) from the perspective of the social process of professionalization, they can also be viewed in the context of their impact on modern accounting. In particular, the argument of this paper is that necessary defences of their new-found professional status diverted accountants’ attention away from emerging issues of accounting in the second half of the nineteenth century (e.g. depreciation and inventory accounting) and thus they missed an opportunity to identify and control an authoritative body of accounting knowledge.

Accounting innovation. As business enterprises embraced new industrial and manufacturing technologies and assumed complex organizational structures, demand for accounting information to assist managerial decisions and control grew to the point that, by 1850, most aspects of cost and management accounting were in place (Edwards and Newell, 1991: 56–57; Fleischman, 2009: 190–196). This accounting revolution included allocating direct and indirect costs, integrating cost and financial accounts, budgeting, and early signs of standard costing. It also involved techniques such as depreciation that were used by managers to assist in funding the replacement of long-lived assets and the calculation of profit for dividend purposes (Downey, 1996; see also Yamey, 1960).

Much of this change in accounting practice was conceived by occupational specialists such as mining engineers, mill managers, and manufacturers rather than by expert accountants (e.g. Burley, 1958; McKendrick, 1970; Marshall, 1980; Robertson, 1970). A review of the literature reveals the absence rather than presence of professional accountants in the process of accounting innovation during the Industrial Revolution and its aftermath (Fleischman, 2009). Developments in cost and management accounting in the late nineteenth and early twentieth centuries were particularly associated with scientific management and improvements in industrial efficiency and productivity by
means of managerial processes that included budgeted and actual accounting numbers (Fleischman, 2009: 198–201; see also Loft, 1994; Miller and O’Leary, 1994). What this change achieved was a numerical superstructure of accruals and allocations built on the DEB foundation of Pacioli and others. Prior to the First World War, however, this was accomplished largely without the involvement of professional accountancy associations (Loft, 1994: 125).

Corporate legislation. The Industrial Revolution required levels of investment and finance that, in turn, caused considerable expansion in financial services and capital markets (Rutterford, 2009: 369–373). Transitioning from a feudal to a capitalist economy also created demand for accounting information to assist decisions and control production and service processes (Toms, 2009: 345–347). Unsurprisingly, this evolution led to commercial and stock market failures (Evans, 1849; Laing, 1856). These included the manipulation of accounting numbers by dominant managers, complex organizational structures, and non-existent or inadequate state regulation (Lee et al., 2008). Failures in industries such as banking and railways resulted in the involvement of regulators and legislators (Edey and Panitpakdi, 1956; Edwards, 1986; Hein, 1978).

The early history of corporate regulation in Britain includes the provision of financial statements, accounting disclosure and audit. However, these changes occurred during a period of political and commercial laissez faire in which managers typically were left to decide on appropriate accounting and report practices, free from regulatory interference (Edwards, 1989: 109–110; see also Walker, 1996b). The over-riding quality standard for corporate financial reporting was determined from an early stage by lawyers and politicians in various combinations of what is currently described in the UK and elsewhere as the “true and fair view” (Hamilton and Ó hÓgartaigh, 2009; Lee, 1994). The notion of an undefined and over-riding quality standard was adopted globally in various forms from the nineteenth century. In recent times, issues have been raised about its meaning in practice in light of guidance from conceptual frameworks (Alexander and Archer, 2003; Lee, 1994) and use of PBAS (Alexander and Jermakowicz, 2006).

Public accountancy associations were never directly involved in these early legislative efforts and it was only in the mid-twentieth century that they attempted to influence the state regulation of accounting and auditing (Chandler, 1997: 74–75; Napier and Noke, 1992: 39–40). The consequence of this associational indifference was the extension of the late nineteenth-century tolerance for commercial laissez faire to financial reporting and audits, thus solidifying the proprietorial influence of managers on modern accounting and weakening the independent position of the auditor (Lee et al., 2008: 684–687; see also Chandler, 1997). For example, court judgments, in the absence of contrary suspicions, determined that the auditor was entitled to trust that managers would produce reliable accounting numbers, and that he was merely expected to ensure that the disclosed numbers agreed with the underlying records. In other cases, judges stated that accounting was a matter for business managers rather than lawyers and legislators (French, 1977). There was no mention of accountants, and, only occasionally, in individual submissions from leading accountancy practitioners, were the views of accountants heard in public debates about the state of accounting or auditing (see Kitchen and Parker, 1980).

Post-foundational issues. The apparent indifference of public accountants to modern accounting issues is associated with two matters. The first is that, post-foundation, there was a continuing focus in public accountancy practice on the court-related services that had influenced the associational foundations. Kedslie (1990: 114–134) provides evidence of this in relation to bankruptcy and insolvency. Jones (1995: 45–47) and Walker (1993) report similar evidence from leading public accountancy firms. As Napier and Noke (1992: 36–37) note, accounting was a professional practice that
emerged from legal practice, and accountants adopted the legal model for their professional project.

The second matter is the post-foundation focus of accountancy associations on their claims to professional legitimacy (Poullaos, 2009: 250–254; see also Walker, 1991). This project involved decades of defence against challenges to the new associations, and various attempts to consolidate and merge to better defend, and to build relations with the state. It included efforts to create monopolies of competence by explicit entry, education and training standards (Anderson et al., 2005, 2007; O'Regan, 2008; Shackleton, 1995), designations and branding (Parker, 2005; Richardson and Jones, 2007; see also Anderson et al., 2005), public registration of members (Walker, 1991), disciplinary procedures (Chandler et al., 2008; Walker, 1996a), and later even setting aside associational rivalries to achieve pragmatic legitimacy (Carnegie and O’Connell, 2012). Much of this effort was inevitable in the early professionalization of accountants. However, it coincided with developments in accounting, reporting and auditing. The result was that accountancy associations were slow to recognize their responsibility for modern accounting beyond the legal responsibilities of their members, their perceived need to be involved in emerging accounting and auditing issues, and their duty to respond to public criticisms of practice (Napier and Noke, 1992: 40).

Accounting standards. During the first half of the twentieth century, the accountancy associations began to address accounting issues and criticisms, and set an agenda leading to mandatory standards (see Lee, 2006c, 2009; Ó hÓgartaigh, 2009). Associational responses to economic conditions, political pressures and public criticisms were gradual and, at times, reluctant. The process was earliest and fastest in America, starting in the early decades of the twentieth century with attempts to introduce uniformity to practice without reducing the need for professional judgement (May, 1938). Highlighted were uncertainties that accountants had about the relevance and reliability of their practices and, due to persistent public exposure, associations began to produce standards that were initially voluntary and later mandatory (Davidson and Anderson, 1987; Zeff, 1972; see also Lee, 2006c). At a relatively late stage in its development, the accountancy profession began a dialogue with the state about the need to permit its associations to manage accounting standards, with these bodies being concerned with professional competence and member behaviour (see May, 1936). However, accounting was already well established as a flexible practice determined by business circumstances and reliant on the proprietorial discretion and innate conservatism of business managers, and there emerged an uneasy relationship between the accountancy profession, the managerial cadre and the state (e.g. Cooper et al., 1994; Lee, 2006c). This resulted in accounting standard-setting becoming increasingly public, complex, mandatory, bureaucratic and subject to political lobbying (Zeff, 1972, 2002), with accountants apparently uninformed about the lack of neutrality of accounting information in society (see Burchell et al., 1980).

Research and theory. Lack of complete control of modern accounting by accountants has resulted in their failure to determine the intellectual foundation of their practices (Lee, 2009). As Larson (1977: 40–52) argues, a successful professional project requires identification and control of a defined body of abstract knowledge by an occupational grouping. This involves not only control of the body of knowledge, but also control of the means by which it is disseminated to and learnt by practitioners through formal education and training programmes (particularly in universities). The twentieth-century history of accounting is replete with attempts by individuals to specify an accounting theory for practice. None of these contributions has had a lasting impact. Instead, their seemingly subjective form has been characterized by other researchers as a market for excuses for the failures of accounting practice (Watts and Zimmerman, 1986), leading to proscription of
normative reasoning and substitution of so-called scientific market-related empiricism (Sterling, 1990). The result is a clear separation of the academy from its practitioner community as forecast generally by Larson (1977: 44–45), and of practice uninformed by relevant research and theory (Arnold, 2009).

## Consequences

These historical analyses suggest that, despite its long history, the body of knowledge of modern accounting has never been fully under the control of accountants or their professional associations. Accounting practice, research and education have been influenced by an inheritance of contributions from other occupations and professions, and by distractions created through a protracted professionalization project. Thus, unlike that of a relatively successful professional project such as medicine (Larson, 1977: 38–39), the body of accounting knowledge has never been within the complete control of those practitioners and bodies held responsible and accountable for it. The consequences of this situation are as follows.

### Ambiguous relationship with the state

In recent times, the accountancy profession has experienced an ambiguous relationship with the state over its responsibility for modern accounting (Cooper et al., 1994). A principal goal of a professionalized occupation is autonomy and the privilege of self-regulation (Larson, 1977: 219). However, in the case of the accountancy profession, state regulators monitoring the governance of commercial activity in the public interest have been and continue to be ambivalent about this responsibility, stepping aside or stepping forward when it suits the political climate or when accountants appear to enter non-accounting jurisdictions. Typically, accountants and their associations have been permitted to recommend or mandate accounting standards and are held responsible for their quality. However, the state has also reserved its right to intervene in accounting matters whenever practice appears to be inappropriate, substandard, or not in the public interest (see Bengtsson, 2011 in relation to the European Union and the IASB in recent times; and Zeff, 2007 in relation to pre-FASB times). In these circumstances, it is difficult to determine who effectively controls modern accounting, despite the presence of bodies such as the FASB and IASB.

### Practice and no theory

Modern accounting comprises a growing set of inconsistent and compliance-orientated rules without an agreed theory and despite conceptual frameworks and PBAS, and where rule-compliance has become “an end in itself” (West, 2003: 181). Accountants resolve practice issues within a context of undefined and ambiguous reporting quality standards such as “true and fair view” and “present fairly” (Alexander and Jermakowicz, 2006), and with superficial attention to quality standards as prescribed by bodies in conceptual frameworks such as FASB (2010). In these circumstances, it is unsurprising that accountants adopt consistency as the bedrock of their practice, the quality of accounting numbers is not judged in terms of informational relevance and reliability, and the adequacy and appropriateness of modern accounting goes unchallenged. The conceptual framework is a fig leaf to provide an image of an intellectual foundation for a practice that provides meaningless accounting numbers consistently (Hines, 1989). Fundamental issues such as the meaning of the social realities comprising the subject-matters of modern accounting are not considered or discussed, nor is the potential of accounting to shape society. Instead, the
objective is to produce consistent accounting numbers to ensure users can compare them over time and between entities.

**Role of researchers**

The proscription of normative thought by accounting researchers trained as financial economists has accentuated and compounded the historical influence of non-accountants on modern accounting and reduced or eliminated challenges to it (Sterling, 1990). Financial economists have effectively designed their accounting research as a form of regulatory anthropology, in which the focus is on the behaviour of accountants, managers, users, and regulators within a regulated market context, rather than on the nature and quality of accounting numbers. In these circumstances, accountancy practitioners and policymakers need to recognize that research is a necessary and valuable input to best practice, and that researchers are a vital part of the accountancy profession rather than an optional extra tolerated only to provide an image of professionalism to the external world. Equally, accounting researchers must recognize that their research should serve the interests of practitioners before those of academics (Lee, 2004: 63–64). Currently, most research undertaken by academic accountants appears to have journal reputation and career enhancement as the foci instead of improvement to the current state of modern accounting.

**Conclusions**

The conclusions from these analyses are relatively brief, commonsensical, and based on a positive assumption that the state of modern accounting remains capable of significant change. Such an assumption has been challenged in the past by an historically-evidenced argument that accounting is a system in a state of autopoeisis – that is, it has reached a point where it is self-regulating and immune to the interventions of accountants and others seeking major change (Lee, 1990). The arguments of Gleeson-White (2012: 176–254) in relation to the closure experienced in relation to national government accounting and environmental accounting are consistent with autopoeisis in the sense that the current system of modern accounting appears dependent on the ideology of financial capitalism and rejects alternative ideologies such as sustainability.

The lessons of history outlined above are consistent with and attempt to extend the argument of West (2003) regarding accountancy professionalization and accounting rules. More than anything else, they signal an urgent need for accountants and their professional associations to commit totally and unambiguously to a search for an authoritative body of accounting knowledge – that is, knowledge that has cognitive authority and potential to produce accounting numbers that are functionally fit for use. In other words, for the first time in their modern history, accountants need to take total and unwavering responsibility for the body of accounting knowledge. They cannot continue to sub-contract this responsibility to professionals in other occupations (e.g. lawyers and engineers) or to the state or regulatory authorities – particularly a global and undemocratic rule-making body with no public mandate such as the IASB (Chiapello and Medjad, 2009). To do so would confine accounting and accountants to the relatively mundane occupation of managing the consistency and comparability of rule-based accounting numbers, irrespective of their relevance and reliability. Such management requires knowledge of rules and judgements about appropriate rule applications, but neither task justifies the current privileged status of professionals, including the attendant monetary rewards and the right to self-regulate.

The challenge for accountants at this point is how to retain these benefits before there is a societal awakening and realization about the repetitiveness and costliness of accounting failures.
Gleeson-White (2012: 199) argues that such failures have acted as a form of “fertiliser” to the accountancy profession in the sense that accountants appear to thrive on crises and scandals. However, this is not a sustainable condition in the long term, and a credible and feasible response to the challenge of repetitive accounting failures is not easy to identify given the embedded nature of the current state of modern accounting and the habituation of accountants to rules.

One possible response is to gradually bring closure to the current body of accounting knowledge, withdrawing it from the public domain while gradually developing an alternative body with sufficient cognitive authority to produce accounting numbers that are functionally fit for use. The latter development should be the responsibility of the accounting research community and much attention would need to be given to providing researchers with incentives and opportunities to undertake and publish relevant research – particularly the necessity to abandon the current academic and publishing aversion to normative thinking. Short term, with this development taking place, the accountancy profession should use its teaching community to present future accountants with both the weaknesses of modern accounting and the strengths of the new accounting. Long term, future accountants should learn only of the new accounting. This scenario is consistent with Sterling’s (1973: 52) argument in his award-winning article on the relationships in accounting between teachers, researchers and practitioners that educators should, in the short-term, teach current research as the desired state of accounting, and existing practice as the flawed state. Given the habituation of current practitioners and policymakers to rule-based accounting, there appears little benefit in attempting to change their minds over the current state of accounting. Change can come only from those who are not habituated to the current system.

The above suggestions represent a politically-difficult task as modern accounting is public knowledge and changes to modern accounting are typically considered to be matters for public debate through exposure to accounting standards. However, it is difficult to conceive of, say, the medical profession inviting public input to the body of medical knowledge when detailed changes in surgical or clinical practice are being contemplated. Equally, it is impossible to conceive of non-doctors being permitted to practice medicine. Currently, the only closed area of modern accounting is the occupational domain of corporate auditing. Using the classroom and the research laboratory of the university is typically how traditional professions such as law and medicine, and newer professions such as architecture and engineering, attempt to identify and control their bodies of knowledge – that is, to control their cognitive base (Larson, 1977: 17). Taking charge and being seen to take charge of an authoritative body of accounting knowledge in this way can be argued to clarify relations and jurisdictional boundaries with the state, assist in finding a generally accepted theory from the many candidates already in the literature, link effectively teaching to practice in a consistent manner, and bring researchers within the professional community. Accounting researchers and teachers have a responsibility to challenge the current state of modern accounting and identify an authoritative alternative to modern accounting.

Failure to meet this challenge raises the highly probable spectre that the demise of accounting as a professionalized occupation will persist. West (1996: 91–92) concludes in an earlier study of the subject that the current professional status of accountants is weak – “it may well be that the greater part of the explanation for accounting being a profession today is simply that it became recognised as a profession during the last century”. Also, leading policymakers in accountancy of recent times are beginning to vocalize their concerns that something is amiss and that accountants and their associations need to rediscover professionalism (Tweedie, 2012: 5). However, as this paper attempts to point out, the task is more than Tweedie’s prescription that practising firms consider themselves professionals rather than businesses, or that practitioners become role models for students they mentor. These are givens in the professional project. Instead, it is the recognition that
advances in accounting knowledge are not peripheral matters and that the nature of specialist knowledge such as accounting is the principal justification for the authority exercised by the profession (West, 2003: 180). Perhaps the first step in this long journey is for professional associations and university departments to adopt this article of faith in their education programmes by putting accounting theory at the heart of the way forward to ensuring that accountancy justifies its professional status (see Carnegie and West, 2011: 502). Unless this is done, the future is bleak for the status of accountancy as a professionalized occupation.

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Notes

1. To maximize readability, and with the exceptions of the abstract, introduction and conclusions, the term “authoritative body of accounting knowledge” is used throughout this paper to denote a body of knowledge with sufficient cognitive authority to produce accounting numbers that are functionally fit for use.

2. Information on progress on this work at the FASB can be accessed at www.fasb.org. There have been statements from the FASB and IASB about the need for principles-based standards, internal consistency, and international convergence. Of eight planned phases, one (on objectives and qualitative characteristics) (FASB, 2010; IASB, 2010) is complete and three remain active (on elements and recognition, measurement, and reporting entity).

3. DEB is the principal focus of a recent history of accounting by Gleeson-White (2012). She argues that DEB has had several roles beyond record-keeping for medieval merchants – i.e. as a major influence on the emergence of capitalism; a facilitator in the Industrial Revolution for management and control systems in corporate business and investment; an instigator of and growth factor in the accountancy profession; a restriction on national government information; and a closed door to accounting for nature. Gleeson-White’s use of DEB goes beyond the boundaries of this study and is also subject to criticisms about the historical connections made (Soll, 2012) and the quality of research (Sangster, 2012: 502–503).

4. It should be noted that the historical analysis in this paper is not claimed to be new to the literature. What is original is its use to assess the prospect for West’s challenge.

5. In any case, such challenges have been proscribed as “unscientific” by researchers (e.g. Watts and Zimmerman, 1986) trained in financial economics (Ravenscroft and Williams, 2009).

6. During the early professionalization process in the UK, accountants downplayed DEB as part of their claimed body of knowledge and attempted to distance themselves from bookkeepers (Edwards and Walker, 2007: 70).

7. These comments do not suggest the Church had anything to do with the arrival of DEB (Derks, 2008).

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