

# Accounting Historians Notebook

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## Philosophy of accounting historical research

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Stevelinck: Philosophy of accounting historical research

# The Accounting Historians NOTEBOOK

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## THE PHILOSOPHY OF ACCOUNTING HISTORICAL RESEARCH

by

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The generalized study of accounting history is of recent origin. We have hardly made a beginning in interpreting the history of accounting and it is time that a broader synthesis be attempted. Many accounting professionals, preoccupied with fiscal and judicial questions, still consider accounting history as unimportant, helpful only to occupy the leisure time of professors and retired businessmen. It is necessary to convince these critics that they are wrong and that a philosophical approach to accounting history is not only possible but desirable. The philosophy of accounting history is, in fact, the logical extension of accounting history.

In the study of accounting history several roads are possible. One method is to gather facts from accounting history and to interpret, classify and make comparisons to determine the paths of developments in accounting theories. Another method will be preoccupied with evolving an explanation of the evolution of accounting theories through the study of customs, practices and institutions with particular attention to mutations or interferences caused by them in the changes of accounting and legal practices. Other methods can be forwarded but all have similar characteristics of these two approaches.

To leave the heights we attain philosophically and return to subjects more commonplace, let us consider the major periods of accounting history. One may say that in order to follow the historical method of study it is necessary to segregate data into different periods. If, for instance, we take the history of humanity it is possible to establish four major eras; prehistory, middle-ages, modern time and contemporary time. However, these periods overlap and established dates are necessarily arbitrary. There is a continuity of thought from Antiquity to the Renaissance and there is no gap between the philosophy of the middle-ages and modern philosophy.

Relating this to accounting history we must recognize that we can validly consider it only within

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the European civilization. The civilizations of the Oriental countries were too different from the European for the accounting historian to have a perceptive understanding of them. However, it is important to know as much as possible about the Oriental civilizations for such knowledge will lead, through comparisons, to a better understanding of the Occidental world.

With regard to historical periods, they are chiefly convenient for the teaching profession but those mentioned above harmonize rather well with reality. To change the terminology slightly we might divide accounting history into three eras:

- Antique period - from the origins to c1200 A.D.
- European period - from c1200 to c1900 A.D.
- World-wide period - from c1900 to the present.

The Antique period can be subdivided:

- Pre-accounting period - historical data limited to records of the census, inventories, statistics and barter.
- Accounting period - after the beginning of formal account keeping.

The invention of money and the keeping of the cash book greatly assisted in the birth of accounting. All things considered, the cash account alone offers all the peculiar properties of a complete bookkeeping system including entries of receipts and payments and a balance which can be verified with the quantity of money on hand at any time. The concept of credit developed from the invention of money and the cash book. Accounting also assisted in the beginnings of banking with the opening of debtors' and creditors' accounts.

The European period saw the origin of the capitalistic system, the early beginnings of which began with the division of the ownership of land (latifundia, fiefs, provinces, shires, marquisates and so on) but really commenced with the discovery of the new world.

With capitalism came the concept of patrimony and the protection of wealth by the use of secret or private accounts. Commercial bookkeeping brought investment accounts, merchandise accounts, customer's and suppliers' accounts (one for each customer or purveyor), the profit and loss account and the stock account. With the advent of capitalism we find factor bookkeeping emerging. In factor bookkeeping, at its beginning, the principal purveyor (or supplier) was the master until the factor freed himself from responsibility. Representing the master, the factor was both

customer and supplier in so far as he bought spot merchandise for the account of his master or sold spot merchandise he had received from him. Both transactions required record keeping and rendering reports to the master.

Next developed the concept of the legal person (the firm as opposed to the proprietor); the partnership, the corporation and the association. There were also commercial operations of short duration which required joint or separate accounting, such as joint ventures or temporary partnerships at fairs, sea ventures and in the exploitation of mines. These associations required an accounting more complete and exact than the accounts kept by a trader for his private use.

In the early 19th century (one can find some examples earlier) industrial accounting had its beginnings with culmination in cost accounting and the introduction of new accounts such as the reserve for depreciation and suspense accounts. From this movement date also were the subsidiary accounts for accounts receivable, accounts payable and for various cost accounts.

The World-wide period began with the 1914-1918 War and continues to unfold before our eyes today. There developed during this period technological improvements for gathering data more quickly (tracing-accounting with carbon paper, mechanized accounting and electronic accounting). Other developments include analytical accounting, management accounting, price level accounting, social accounting, macro-economical accounting and so on.

Without holding this accounting history scheme as perfect, may it not serve as a basis for more extended discussions and developments. Such is the Author's wish.



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