

1984

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Recommended Citation

Baladouni, Vahe (1984) "Etymological observations on some accounting terms," *Accounting Historians Journal*: Vol. 11 : Iss. 2 , Article 7.

Available at: https://egrove.olemiss.edu/aah_journal/vol11/iss2/7

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The Accounting Historians Journal
Vol. 11, No. 2
Fall 1984

HISTORICAL NUGGETS

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ETYMOLOGICAL OBSERVATIONS ON SOME ACCOUNTING TERMS

Abstract: Selected on the basis of their etymological appeal to the author, eighteen accounting terms are traced to their earliest ascertainable form and meaning in the family of languages to which they belong. Such an investigation not only reveals something of our past, but also helps energize the conceptual landscape of our vocabulary.^a

An appeal to etymology in order to determine the current meaning of a word is no more reliable than an appeal to spelling in order to determine its present pronunciation. Over time, change of meaning is likely to alter the etymological sense of a word thereby rendering it obsolete or archaic. For example, if an “undertaker” was once someone who undertook to do anything, nowadays he only undertakes to manage funerals. It is established that what a word meant once is not necessarily what it means today. In matters of meaning, present usage is the only scientifically valid criterion.

Be that as it may, a knowledge of etymology can often help give a fuller and clearer understanding of what a word means now. The etymology of a word is its life history—its progressive development in form and meaning in the family of languages to which it belongs. As accountants utilizing English, we are naturally more interested in the development of accounting terms in our own language, but we must not forget that many of them had a long history before they entered the English language. An etymological interest in accounting vocabulary can help not only in revealing our past, but also in making the present meaning of our terms richer and less forgettable. In the pages that follow are brief observations on some accounting terms, selected on the basis of their etymological appeal to the author.

^a I thank Professors Toussaint Hocevar and Michael Dugan of the University of New Orleans for their comments on this paper.

ACCOUNT: *to count, to tell, or to think?*

There is no need for concern. All three meanings have a place in what we do. As a verb, "to account" assumed the form *accounten* in Middle English which, in turn, was introduced from Old French, *aconter* (in Modern French, *conter*). Going further back in time, we connect *aconter* to the Vulgar Latin word *acomputare* or *computare* meaning to reckon. In Medieval Latin *computatorium* referred to counting-house. There were also other derivatives from *computare*. It is interesting to note here that the base of this Latin word, *putare*, variously meant to prune, to purify, to correct an account, hence, to count or calculate, as well as to think. Aside from the meaning to count, *aconter* from Old French means to tell. In Modern French, these two groups of meanings are differentiated—*compter*, to count and *conter*, to tell (a story). The latter meaning is also retained in the English word.

ASSETS: *of which you must have enough*

Etymologically, this term is in the collective singular, like alms, riches, and eaves. Today, it is treated as a plural and has a singular, asset. "Assets" has entered our vocabulary via the French. The form it took in Old French was *asez*, whence *assez* in Modern French. In Old Provençal, *assatz*. In all these forms the word means "enough" or "much" as also in the Italian word *assai*. Both of these senses—enough and much—are found in the Vulgar Latin phrase *ad satis* meaning in sufficiency. In Anglo-French it assumes the form *asetz*, whence the legal term *aver assetz* meaning to have, hence to own, enough to pay one's debts and other obligations. In case you are still wondering about *ad satis*, relate *satis* to the English words satisfy, satisfactory, satiate, etc.

AMORTIZE: *intimately related to death*

When we say we are going to amortize a debt or an intangible asset, we are referring to the systematic reduction or writing off of a particular account over a specified number of time periods. This use of the term is relatively modern (since late 19th century) and is derived from the French, *amortir une dette*. Parenthetically, it is interesting to note the interrelatedness of the French word *dette* and the English "debt," which in Middle English was spelled in the same way as the French. Returning to the word "amortize," in Middle English *amortisen*, we find that it has found its way into English from the Old French *amortir*. The French' form came, in

turn, from the Vulgar Latin, *admortire* meaning to deaden or extinguish. *Admortire* is made up of *ad-*, expressing direction toward something, and *mortuus*, dead or *mors*, death. The original meaning of the word was simply to kill or destroy. The term “mortgage,” which comes from the Old French of the same form, translated literally into “death pledge.”

AUDITOR: *was once listened to*

Auditor is one of the many words, such as audible, audience, audile, audition, auditorium, obedient, obeisant, which come ultimately from the same Latin root *audire* meaning to hear. The English “auditor” corresponds in form to the Latin *auditor*, a hearer. And *auditus* meant a hearing, whence the English “audit.” Auditorium,” which is borrowed from Latin in its original form, means literally a place where something is heard, hence a lecture-room or a hall of justice. The connection between the auditor of our times and *audire*, to hear, comes from the fact that in the early periods of our profession, those responsible for attesting to the fairness of accounts presented their reports orally to, for example, the lord of the manor or, in the case of state affairs, the king, and were therefore heard or listened to.

BUDGET: *it was just a leather bag or wallet*

In the Middle Ages, French merchants carried their money around in a *bougette*, a small bag. This word descended from the Latin *bulga*, a leather bag. The English word “bulge” comes from the same source, carrying the idea of swelling. In times past, a store-keeper who made up his budget opened his bag to find out what were his resources. The Chancellor of the Exchequer, in making his annual statement to the British House of Commons, once opened his budget by saying: “This bochet [budget] with othre lettres conteigned in the same” (early 16th century). The controller of a modern American corporation does not, obviously, carry a *bougette* of any sort except his personal wallet which may be surmised to contain credit cards, without which he does not dare to leave home.

CAPITAL: *caput or, simply, head*

In the sense of wealth, the word “capital” comes ultimately from the Latin *caput* meaning head. The Latin root of *caput* appears in scores of English words, some of which have come to us through

the French and others directly from the Latin. Both of our words "capital" and "cattle," for example, are from *caput*, for in early days a man's wealth was reckoned in *chattel*, a doublet of cattle. Interestingly, we still speak of a herd of a thousand head. The Latin adjective *capitalis* meant pertaining to the head, whereas *capitale* in Late Latin referred to stock or property. Aside from its meaning "pertaining to the head," *capitalis* also meant chief, first. The latter meaning has found common use in accounting terms such as capital asset, capital budget, capital gain, and capital expenditure. In reference to wealth, *capitalis* implied a man's principal or chief substance.

SECURITIES: *literally translates "without care"*

The name for these sometimes volatile investments has a ring of assuredness about it. And this is not altogether unfounded. The term "securities" descends from the Latin words *se-* meaning without and *cura*, care. If you possess enough securities, you should be able to live a carefree life, confident of your financial well-being! One type of securities, the stock, comes from the Old English *stocc* meaning a tree-stump. Unquestionably, this sounds solid enough. But how it came to be applied to securities no one seems to know.^b The other type of securities, the bond, can be traced to most Teutonic languages, including the English where it also assumes the form "band." "Bond" is a mere variation of "band" meaning a fastening. This word connotes fixedness, steadiness or, simply, securing. Legally, a bond binds the issuer to the holder of the bond.

CASH: *came from the till*

"Cash" came either from the early modern French *casse* or Italian *casse*. In turn, both of these words came from the Latin *capsa*. They all meant chest, box, case, or repository. Later on, *casse* came to mean the money, or cash itself. Speaking of money, this term has an interesting origin. It comes to us from a Roman goddess, Juno Regina, queen of the heavens. Juno assumed many divine responsibilities but most of all she was the goddess of warning. The Romans were so grateful to Juno for telling them about the dangers ahead on various occasions that they built a temple to her, and when coinage was devised they set their mint in her temple, and thus Juno came to be known as Juno Moneta, guardian of finances. Her name Moneta was derived from the Latin word *moneo*, warn, and

^bBut see Baxter, p. 167 in Vol. 11, No. 1.

finally entered Old French as *moneye* and thus eventually became our word “money.”

REVENUE: *tells us of money that has come back*

“Revenue” is another word that came into our language through the French. It originated in the Latin *revenire*, *re-* meaning again or anew, and *venire*, to come. In Middle French the word “revenue” assumed the form *revenu*, the past participle of the verb *revenir* meaning to come back again or, simply, to return. When a businessman invests a certain amount of money to acquire goods for resale, he hopes that upon selling the merchandise enough money will come back to enable him to recover the cost of the goods along with other related costs incurred, and hopefully more. Revenue, of course, is not the money itself. It is merely an indicator of an ownership claim; but it also tells us the amount of money that either has come back or will eventually be realized upon collection.

PROFIT: *a sign of progress*

“Profit” comes from the Old French word of the same form. In Old (and Modern) French the verb form is *profiter*, while in English it retains the same form as the noun, to profit. The English adverb “profitable” is adopted without change from the Old French. *Profit* in Old French is derived from the Latin noun *profectus* meaning advancement, improvement, progress. *Profectus* is the past participle of *proficere*, to progress, to help forward, hence to yield a profit. It is interesting to note that the statement of profit and loss, known to us as an income statement, may on occasion be referred to as a progress report, in contrast to a status report, which refers to the balance sheet or statement of financial position. Aside from the sense of financial progress or advancement, the word profit has a wider use, that is, an advantage or benefit of any sort that accrues to a person, community, or thing.

JOURNAL: *a daybook or an account of day-to-day events*

In Modern French, *journal* literally means daily. Going backward in time, we find that *journal* is derived from Middle and Old French *journée* meaning day. The latter was derived from the Vulgar Latin *diurnata*, a day’s work or travel. *Diurnata*, in turn, is derived from the Latin *diurnalis*, *diurnus*, of the day or daily (*dies*, day). The English word “diary” is also a descendent of the Latin *dies*. Often, the words “diary” and “journal” are used interchangeably.

“Journey” in English is another word that has its roots in the French *journée* and Latin *diurnus*. A “journal” was at one time called a daybook. In modern times, a journal is a record in which financial transactions and events are first recorded, manually or through a computerized system, but in earlier centuries a daybook was used for recording transactions, often in narrative form, to which if you add the recording of other activities, as well as reflections or feelings, you obtain a diary. In times past, it was not unusual for a merchant to maintain such a diary that informed him of more than just monetary transactions.

LEDGER: *a book lying in one place and open to inspection*

Today we think of a ledger as a collection of accounts—a volume of columnar pages, the printed output of a posting machine, a set of punched cards, or a section of magnetic tape or disc. This term has entered our vocabulary from the Middle English *legger* which probably came from *liggen* meaning to be lying down or situated. This seems to be the fundamental notion which one finds expressed in the following meanings that the word has assumed: horizontal timber or bar; resident ambassador; stationary. Originally, it also meant a book lying permanently in one place. One is tempted to surmise that this last meaning applies to the accounting book known as the ledger, a book of final entry. In sixteenth and seventeenth century England, as well as later, the company ledger was permanently available in the counting-house for the merchant-shareholders’ inspection.

COST: *Hoc constat mihi tribus assibus*

Sometimes one is led to believe that “cost” is the accountant’s middle name. To be sure, it is one of the most frequently used words in accounting. As we try to look at the life-history of this term, we find ourselves traversing a well-known etymological path. “Cost,” or *costen* in Middle English, comes from the Old French *coster* or *couster* (Modern French, *couter*) meaning to cost. The noun form in Old French is *coust* and in Modern French, *coût*. In Provençal, *cost*, in Spanish and Italian, *costo*. These words, in turn, come from the Latin *constare* which means to stand firm, be fixed, stand at a price. *Constare* is made up of *con-* (intensive) and *stare*, stand. In case your Latin did not help you with the idiomatic expression in the subheading, it simply means “This ‘stands me in’ at three asses.” Obviously, a bargaining statement.

TRANSACTION: *agreement by mutual concession*

Among other meanings, to transact has meant to do business, treat, carry through, and manage. The noun "transaction" has its origin in the Latin *transactus*, past participle of *transagere*. The latter is a compound of *trans-* meaning across, beyond, to the other side, through and *agere* meaning to drive, to set in motion, to do. Thus *transagere* variously means to carry through, to achieve, to accomplish, to come to agreement, to settle. We can readily see the connection between *transactus* and transaction. A transaction is indeed the result of an agreement reached by two independent parties. It is this result which makes it the basic stuff or material of accounting analysis.

DEPRECIATION: *literally a lowering of the price paid for goods or services*

Despite the change in meaning from the Latin *depretiatus* to the accounting term "depreciation," the etymological tie is undeniably there. *Depretiare* in Latin means to price down. This pricing down is made up of *de-*, from, down, away, and *pretium*, price. The Latin *pretium* becomes in Old and Middle French, *pris* and Modern French, *prix*, which was adopted into Middle English, whence the English word "price." It is interesting to note that "to price" came from the noun "price" rather than from *prisen*, in Middle English meaning to value, to esteem highly, to prize. "Prize" as a verb occurs in the compound word "apprize" meaning to put a value on. To get back on track from our brief side trip, in its technical sense "depreciation" today refers to the reduction (lowering) in value (price) of tangible, long-lived assets (goods [capital] but not services) from use or obsolescence.

DEPLETION: *the emptying out, the drawing off, exhausting*

Its origin is in Latin. *Depletus*, past participle of *deplere* meaning to empty (*de-*, away and *plere*, fill). The noun from the verb *plere* is *plenus*, full, from which comes the word *plenarius*, that is, plenary. A plenary session at a convention should, therefore, be full. It is the kind of session to which all participants should go. Of course, some, for a variety of reasons, cannot make it. After the session is under way, we find that at various times, again for a variety of reasons, the plenary session depletes as some participants tip-toe out of the vast meeting-room. When this happens, as it often does, *deplere* or emptying out is taking place. Among the

various uses acquired by this word *deplere*, we find one of a rather specialized nature, *depletio* or *depletura* meaning blood-letting in Late Latin.

And, finally,

DEBITS EQUAL CREDITS: *the accountant's balancing act*

Based on my musings to this point, you must have become amply aware that etymology attempts to trace words to their ultimate source or origin. Such tracing is essentially in terms of form and meaning. In my foregoing observations, something of a word's changing form and meaning has been emphasized. The words "debit" and "credit," however, present us with a challenge. We come to realize that although "debit" comes from the Latin *debitum* meaning debt and "credit" from the Latin *creditum* (ultimately from *credo*, I believe) meaning thing entrusted to one, the modern meaning of debit and credit cannot in any way be related to the original words. While form is there, the threads of meaning are not; or to put it somewhat differently, the etymological significance of these words has faded away.^c

What meaning do we, then, ascribe to these words today? Sometimes we hear accountants say that debit and credit are synonymous with plus and minus. This, of course, is not true for what is plus for some accounts (debits to asset and expense accounts) is minus for other accounts (debits to liability, capital, and revenue accounts). The opposite holds true for credit items. The lack of consistency in meaning invalidates that notion. On occasion we also hear accountants say that debit in a manual system refers to the left side of a ledger account (when the ledger account is in the form of T) and credit, to the right side. While this may be so, we find it difficult to extend this meaning to computerized accounting systems where the magnetic tape makes no such distinction.^d

I would like to submit that the most tenable meaning that can be attached to the statement "debits equal credits" is, as you

^cOne reviewer of this paper wrote: "I felt the meaning of debit and credit was descendant from Medieval Italian terms "debitor" and "creditor." Debitor, if I remember correctly, originally meant "one who owes" as in an asset which owes its benefit to its owner. Similarly, creditor meant "one who owns." The asset "owes a debt," namely itself, to its owner—the person to whom it was entrusted." In their *Accounting Theory: Continuity and Change*, Littleton and Zimmerman write: "debit-credit (in this case the original meaning of "he owes," "he trusts," is now quite uninformative)."

^dIt has also been suggested that these words are derived from the Latin *dehabet* and *credidit*, operations whereby a slave was charged and discharged with accountability for the master's capital.

guessed it, *the accountant's balancing act*. Since the accounting analysis of business transactions finds its articulation through a dual or twofold classificatory scheme, it is no surprise that a pair of terms is needed to make that distinction; hence, the terms "debit" and "credit." While it is entirely arbitrary why historically assets have acquired the designation of "debit" and equities, "credit" balance, the fact remains that in the performance of his professional duties the accountant is necessarily committed to a balancing act.

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