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THE POSSIBILITY OF AND POTENTIAL FOR THE MISCLASSIFICATION OF PROFESSIONAL ACCOUNTANTS IN ANTIQUITY

by

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The title of this brief note lends itself to a very parochial interpretation; however, the implications of this note are much broader than its title intimates. This paper could very well have been entitled: "An Appreciation of Some Research Related Problems in Classifying Professionals in Antiquity: A Research Agenda." This alternate title aptly limits the parochial overtone. However, this note revolves around accounting history and focuses on three pervasive points.

The first pervasive point is related to the classification of individuals as accountants by statisticians and historians, or rather the inconsistencies prevalent in source data from period to period or the failure to properly distinguish and to explain the basis of the distinction among or within groups engaged in the accounting function. The classification problem is of paramount importance, as some research on accounting during the medieval period (Britain 1100-1450) clearly reveals. One account is quite explicit on this critical concern as follows:

Any careful study of manorial documents will show that the contemporary scribes who compiled the accounts and the Court Rolls could not differentiate clearly between the various manorial officers. The truth is that the documents and treatises are complementary, but, even so, they require to be used with the greatest caution before any valid generalizations can be made. Two considerations at least must always be borne in mind: first, that the

widest variations of procedures and customary use were possible on manors only a few miles apart, and therefore we cannot accept any clear-cut system...and secondly, that the lax use of terms by the medieval scribes...makes it necessary for us to examine what the various manorial officers are actually found to do before we can accept the title indiscriminately conferred on them by the writers of the documents (H. S. Bennett, *Life on the English Manor*, 1938, pp. 156-157).

The sentiments as expressed in the foregoing statement in essence are a caution which should be taken seriously. Since the potential for misclassification does exist, it is quite possible that such a misclassification may be found in some research papers. This is a study worth pursuing in itself.

The second pervasive issue is related to the source documents needed for the identification of individuals in particular places at particular times. Organizational functioning and financial dealing at their earliest inception necessitated the development of accounting (William H. McNeill, *The Rise of the West: A History of Human Community*, 1963, pp. 32-58; Edward Chiera, *They Wrote on Clay: The Babylonian Tablets Speak Today*, 1938, pp. 80-87; James Ole Winjum, *The Role of Accounting in the Economic Development 1500-1750*, 1972). The intricate and extensive financial dealings of many city states and cities in antiquity imply a strong accounting presence, and the available evidence on the

past reveals that economic development is inextricably linked to accounting.

The problem encountered in historical research is the possibility that the number of professional accountants functioning in those places at those times may very well not be identified in source documents. Thus, any enumeration of accounting professionals in those particular places and times may be underestimated due to the paltry number of accountants ascribed by source documents.

The third pervasive issue raised is what is the basis that would be the appropriate determinant as to the proper professional classification of an individual for the sake of posterity. Titular designations in the absence of specific information can be misleading; therefore, it would seem that the classification process must be guided by functions. However, this functional approach to classification may in itself prove to be unsatisfactory. The division among bookkeeper, accountant, and auditor at times is very blurred, and at other times quite distinct, simply because of the prevailing circumstances. Today, one can find an individual CPA who, for some small clients, performs only *write-up* work (bookkeeping), for other clients only financial statement preparation (accounting), and yet for others only the attestation of financial statements (auditing). Despite changes in the level of accounting practice, the classification of that individual is accountant/CPA. In the absence of the licensing of the practicing professional in earlier times, this blurred distinction did exist and classification was not by qualification but simply by the functional occupation at the particular time as the following statement reveals:

The daily record keeping or bookkeeping, which was in a crude form, was handled by the reeve. The annual closing and formalizing of the account was the work of trained scribes who made

a round of the manors after Michaelmas for this purpose...(While,) "the steward" was constantly engaged "making a round of the manors and auditing the accounts" (Bennett, pp. 187, 189).

Despite such a clear distinction among functions and personnel revealed by the foregoing, the point of concern is: Is it simply the occupational form that determines how some persons are recognized as accountants, some as bookkeepers, and others as auditors? The logical extension or conclusion of that position is that classification merely in accordance with a specific function is deficient.

The literature reveals that the manors in the thirteenth century were centers of rural employment. According to some accounts, some of these manors were well managed estates characterized by (1) a careful system of administration, and (2) the rendering of written accounts. Three different forms of records were kept on the well managed estates: (1) the *extent or rental*, which was essentially "a statement of resources of the estate and the legitimate expectations of its owner." (2) The *accounts*, which were made up annually, showed the produce of the estate and the purposes to which it was applied, enumerated the live stock on the estate, and disclosed the discharge of the tenants' obligation, to the extent that such occurred, as recorded in the *extent or rental*. (3) the *Court Rolls* which were records stating the changes in the personnel of the tenants and any modification of tenants' obligations. The major handbook on estate management in use at that time was published in 1293 by Walter of Henley—a Dominican friar. (W. Cunningham & Ellan A. McArthur, *Outlines of English Industrial History*, 1896, p. 37).

The medieval outline as presented serves as an adequate illustration of the
continued on page 21

ANTIQUITY.....continued from page 14

problem of the potential for misclassification. This condition is so simply because, in spite of the clear differentiation along functions in the manorial period, the source for the education of all (bookkeepers, accountants, and auditors) presumably was the same; that is, the manorial officers (reeve and bailiff), the scribes and the stewards all presumably used the work of Walter of Henley in preparing themselves for their respective undertakings. One may argue that the reeve and bailiff may not have had the exposure to the literature, and that they merely were instructed by the scribes.

It is therefore possible that an investigation of completed research in this area may discover that the deficiency in classification according to function is quite pronounced. Prior to modern times with the introduction of proficiency examinations and official designations (CA, CPA, etc.), it must be understood that change in classification for some individuals in source documents may very well reflect the changing nature of the individuals' occupation. In modern terms, a downward reclassification from accountant to bookkeeper may be interpreted as a change in the preponderance of an individual's practice (service to clients) from financial statement prepara-

tion to write-up work, and not a diminution of that individual's competence. Thus in pre-modern times, a reclassification upward—from bookkeeper to accountant—may be interpreted in one of two ways. In one situation, the upward reclassification can result from an increase in an individual's competence, but this is highly unlikely, because of the absence of any mechanism for assessing competence in earlier time. Therefore, the only likely interpretation, is that an upward reclassification would be the result of change in the individual's practice—a change from write-ups as being the preponderance of the individual's practice to that of financial statement preparation. Today, the problem of classification is mitigated because titular designation is based upon professional licensing. However, with regard to persons in antiquity, the potential for misclassification is quite real.

In conclusion, being that research is a continuing phenomenon, the overall importance of this note is that: (1) it provides an awareness of one research problem in accounting history that must be avoided, and (2) it accentuates the need for accounting historians to ensure a proper reflection of the various roles of the accounting functionary in recorded history.



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