

HISTORY OF ACCOUNTING

The history of accounting dates back to the earliest days of human agriculture and civilization when the need to maintain accurate records of the quantities and relative values of agricultural products first arose.

- Simple Accounting is mentioned in the Christian Bible in the book of Mathew in the parable of the Talents.
- The Quran also mentions simple accounting for trade and credit arrangements.
- Kautilya's famous Arthashastra not only relates to Economics and Politics, but also explains the art of account keeping.

Written in 4th century B.C. in Shlokas or Sanskrit verses, a chapter in the book provided the details about account keeping, accountant's office, methods of supervising and checking of accounts and also about the distinction between capital and revenue, profits, expenses etc.

The development in trade and commerce has been responsible for the growing importance of a methodical accounting work. It is in the important world trade centres of Geneva and Venice, the Italian cities that a systematic method of accounting developed between 14th and 15th centuries.

Luca Pacioli also known as Friar Luca dal Borgo wrote a book, primarily on mathematics, "**Summa de Arithmetica, geometrica, Proportioni et Proportionalita**" (Review of Arithmetics, Geometry and Proportions) in 1494. This book contains a brief section under the chapter heading "Particularis de computis et scripturis" (Particulars of Reckoning and their recording) on double entry system of Book-Keeping. Although Pacioli codified rather than invented this system, he is widely regarded as **Father of Modern Accounting**.

Pacioli was a great philosopher of Italy. His book is the first printed book on Double entry system.

The review of literature suggests that Benedetto Cortugli completed a book on double entry system in 1458 but it was not published till 1573.

Pacioli used the term 'Debito' (owed to) and 'Credito' (owed by); these came from the Latin words 'debitur' and 'creder'. The terms used today have their origin from debitur and creder.

The system he published included most of the accounting cycle as we know it today. He described the use of journals and ledgers, and warned that a person

should not go to sleep at night until the debits equalled to credits. He was in favor of closing accounts every year. He stressed ot measurement of profit or loss at regular interval. He also suggested the preparation of an 'inventory' i.e. financial position of a business which is called 'Balance Sheet' now.

However, Pacioli's book initiated an important step in keeping of records under double-entry system.

In the succeeding years, many improvements too place in the accounting books and methods for the convenience of different organizations. Industrial revolution of 18th century and globalised trade necessitated further improvements in accounting, such as mechanized accounts, computerized accounting statements, etc.