

HISTORY AND SURVEY OF ACCOUNTANCY

Wilmer L. Green

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ACCOUNTING



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Volume 38

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ACCOUNTANCY

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WILMER L. GREEN

 **Routledge**
Taylor & Francis Group
LONDON AND NEW YORK

First published in 1930

This edition first published in 2014

by Routledge

2 Park Square, Milton Park, Abingdon, Oxon, OX14 4RN

and by Routledge

711 Third Avenue, New York, NY 10017

Routledge is an imprint of the Taylor & Francis Group, an informa business

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-0-415-53081-1 (Set)

eISBN: 978-1-315-88628-2 (Set)

ISBN: 978-0-415-71524-9 (Volume 38)

eISBN: 978-1-315-88194-2 (Volume 38)

Publisher's Note

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HISTORY AND SURVEY OF ACCOUNTANCY

Wilmer L. Green

Garland Publishing, Inc.
New York and London
1986

For a complete list of Garland's publications in accounting,
please see the final pages of this volume.

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Library of Congress Cataloging-in-Publication Data

Green, Wilmer L.

History and survey of accountancy.

(Accounting thought and practice through the years)

Reprint. Originally published: Brooklyn, N.Y. :

Standard Text Press, 1930.

1. Accounting—History. I. Title. II. Series.

HF5605.G7 1986 657'.09 86-11963

ISBN 0-8240-7880-2

Design by Bonnie Goldsmith

The volumes in this series are printed on
acid-free, 250-year-life paper.

Printed in the United States of America

HISTORY AND SURVEY OF ACCOUNTANCY

**BY
WILMER L. GREEN, LL.B.**

STANDARD TEXT PRESS
186 Joralemon Street Brooklyn, N. Y.

NINETEEN-THIRTY

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FOREWORD

History serves to reflect events of the past so that they may become helpful in the present. History has a value both practical and intellectual. Practically, it affords a basis for taking advantage of past experience, and for avoiding bygone mistakes. Intellectually, it establishes an intelligent view-point in considering current events.

Each new generation must learn for itself. But each new generation will think more intelligently if it knows what its predecessors have thought and done. Aristides Briand's proposal in 1929 for a United States of Europe might have been withheld if he had considered his French history and remembered how ignominiously Napoleon failed in a similar attempt one hundred and twenty-five years before.

The author in this volume has made a contribution both practical and intellectual in his collection of source material. It will be interesting to some to know that the Doomsday Book was not a social register. The greater value will accrue to those who in the future may have a part in making current history relating to accountancy. They will be helped undoubtedly by having the historical background which the author presents.

JOHN R. WILDMAN.

New York,

November 29, 1930.



THE ACCOUNTANT

By Rembrandt

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PREFACE

During the past decade when the author was associated with an international firm of certified public accountants at its executive offices, it was his privilege to discuss matters concerning the accountancy profession with thousands of potential and actual accountants. From those discussions it was amazing to learn how meagre was the knowledge of the vast majority of such individuals of the accountancy profession. It was further observed that this deficiency was as noticeable among those who had been graduated in accounting from the colleges as among those who had not.

In an effort to acquaint future accountants with the historical development, ethics and similar essentials of the accountancy profession, Dean Joseph C. Myer of St. John's College School of Accounting, Commerce and Finance invited the author several years ago to deliver a series of lectures pertaining to the profession. The influence of these lectures on the work of the students has, it seems, accomplished the desired result and this accomplishment has prompted the publication of this volume.

It has also been suggested that the further dissemination of such information both to the accountancy student and the practicing accountant will be beneficial not only to the members of these groups but to the profession at large.

The author wishes to express his appreciation to the American Society of Certified Public Accountants, The American Institute of Accountants, The American Asso-

ciation of University Instructors in Accounting, The National Association of Cost Accountants, and to Columbia University for their cooperation; to Dr. David Smith, Professor Emeritus of Columbia University for his counsel as to many of the manuscripts consulted, to Professor James Gengo for translations and to Dean Myer. Acknowledgment is made to the Montgomery Library of Columbia University for its permission and aid in reproducing all of the manuscripts pictured herein except the clay tablets and papyri which were reproduced from originals in the Metropolitan Museum of Art, the picture of "The Accountant" on the frontispiece which was reproduced from the original in possession of Mr. Charles M. Schwab, the pictures of Pacioli's work which were reproduced from reproductions in the New York Public Library, and the pictures of account books of 1761 which were reproduced from originals secured in England by Professor Edwin B. Hewes and now in the collection of Dean Myer.

The author acknowledges his indebtedness to the following Certified Public Accountants, firms of Certified Public Accountants and practitioners for their contributions as to accountants' organizations: Haskins and Sells; Scovell, Wellington and Company; Loomis, Suffern and Fernald; Stagg, Mather and Hough; Klein, Hinds and Fink; Martin Kortjohn and Company; Richardson, Jackson and Davis; Thomson, Cooper and Thomson; Cull, Bakken, Brady and Janz; Samuel F. Racine and others.

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HISTORY OF ACCOUNTING

CHAPTER I

NUMERATION

THE notion of numeration existed ages before mankind was able to record it. More than fifty thousand years ago the barbarians scratched with some substance possibly flint on a rock in an endeavor to record an idea or an act. Throughout the following centuries these scratches became grouped and ultimately formed the early pictures of civilization. Of necessity, these pictures tended to represent objects with which the early man was familiar. Generally these scratched outlines were intended to portray quadrupeds, but as such the animals had but one fore and one hind leg. This peculiarity is accounted for by reason of the fact that the artist lacked the technique to draw the object properly.

From the earliest forms of picture writing it is probable that the process of numbering began. The method of indicating small numbers was first accomplished by certain signs and then by names. In ancient times the fingers were used to represent the first ten numbers. This antiquated method of numbering is still found among the African Bushmen except that they have no name or figure beyond "two", this representing two hands, two feet, etc. Francis Galton, during his travels in Africa, found Bushmen from whom he was obliged to buy mutton singly, or one sheep at a time, because the Bushmen

could not understand that for two sheep, at two plugs of tobacco each, he must give them a lump sum of four plugs of tobacco. The savage who is unable to enumerate more than "two" uses an expression equivalent to our word "many".

It is interesting to consider the various antiquated devices which have been used in counting as aids to numeration and calculation.

The Abacus which was discovered in the Orient and which is still in use is probably the earliest reckoning device. The Abacus consists of a wooden board with a number of grooves. To represent a number, as many counters or pebbles are placed in the first groove as there are units. In the second groove are placed as many counters as there are tens and so on up the scale of numeration until the number required has been accounted for by the counters in the respective grooves.

Another of the early accounting devices which is still used in Peru is the Quipu. The Aztecs at the height of their power kept track of their treasures by means of this device. It consists of a twisted cord made up of strands of different colors from which is hung a fringe of knotted strings. The knots on these strings are representative of numbers and might be combined to express any required amount, while the colored strands of the main cord stand for objects so that different kinds of properties can be distinguished—a red color indicating gold—black indicating cattle, et cetera. The Quipu is used for reckoning and for recording. In the latter case, it is placed among the archives in charge of the treasurer. It is quite natural to presume that the Abacus referred to above was the foundation of our decimal system.

From the foregoing we observe that numeration—

the cornerstone of accountancy—was laid by the ancients.

LATER NUMERATION. In later civilizations we find the Egyptians in the process of writing numbers, repeating the symbol for unity as many times up to nine as was necessary; then to repeat the symbol for ten as many times up to nine as might also be required, thus expanding this procedure until the numbers had been completely written.

Following this Egyptian practice, we come to the use of the Roman symbols which were used by accountants in England as late as the sixteenth century. It is interesting to observe that Roman numerals were used in Italian commerce until the fourteenth and fifteenth centuries when they were superseded by the Arabic numerals. We may conclude that the Italians in their commercial contacts with the Arabs brought the Arabic numerals into Italy after which they spread to England and France.

It has been remarked that the Arabic numerals were taken from the initial letters of corresponding words of the Indo-Bactrian alphabet (North India) 150 B. C. If this is so the general notion that the Hindoos introduced the decimal system is wrong. What actually happened is that the Hindoos took the system from the old Indo-Bactrian alphabet and then gave the system to the Arabs because it is a known fact that the Arabs were familiar with this system in the ninth century and by the tenth century had it in general use.

In the eleventh century the Moors introduced the Arabic figures into Spain and in the thirteenth century the Italians, who had acquired the use of the figures in their Eastern travels, introduced the decimal system into Italy. It has been recorded that Pope Sylvester II introduced the