Antecedents of the Accounting Profession

By Willard E. Stone

The accountant has a proud heritage and may lay claim, along with the attorney, to being a member of the first recognized professional group. Accounting and law were jointly practiced by the scribes. Auditing undoubtedly appeared shortly after man began to record governmental and commercial transactions for we have evidence that even the earliest records were audited. The first attempts to reduce transactions to some medium more permanent than memory probably took a semi-mechanical form. Will Durant remarks that primitive tribes frequently used such methods:

"Some tribes used notched sticks to help the memory or to convey a message; others, like the Algonquin Indians, not only notched the sticks but painted figures upon them, making them into miniature totem poles, or perhaps these poles were notched sticks on a grandiose scale. The Peruvian Indians kept complex records, both of numbers and ideas, by the knots and loops made in diversely colored cords; Lao-tse, calling upon the Chinese to return to the simple life, proposed that they should go back to their primeval use of knotted cords."

Man probably began a more formal recording of transactions in the dim past when trade between tribes increased. At first, pictures of the objects traded may have been used but by 5,000 BC symbols, mutually intelligible to tribes of diverse languages, had been developed. Flinders Petrie, the famous British archeologist, found graphic symbols on shards, vases and stones in the prehistoric tombs of Egypt, the Near East and as far West as Spain. Most of three hundred different signs were common to all countries. These were not pictures but mercantile symbols for various types of goods, quantities and business memoranda. They constitute our first written language.

It is highly significant that writing had been involved not to record the warlike deeds of kings nor yet to express theological dogmas, but for strictly practical purposes connected with the administration of the temples temporal estates; apart from school texts, the earliest tablets contain exclusively accounts.

ANCIENT BABYLONIA AND EGYPT

An early Mesopotamian civilization, the Sumerians recorded commercial transactions on stone dating back to 3,600 BC and on clay tablets beginning about 3,200 BC. It is here that the auditor first gives concrete evidence of his existence and that we find the first examples of internal control.

It was customary for summaries to be prepared by scribes other than those who had provided original lists of payments. Further, the documents of the period reveal tiny marks, dots, ticks, and circles at the side of the figures, indicating that checking had been performed.4

In ancient Egypt in the Pharaoh's central finance department, the "house of silver of the treasury," internal control and auditing were in use. Scribes prepared records of receipts and disbursements of silver, corn and other commodities. One recorded on papyrus the amount brought to the warehouse and another checked the emptying of the containers on the roof as it was poured into the storage building. Audit was performed by a third scribe who compared these two records. An official order was required for withdrawals and the scribe in charge of the storehouse recorded the disbursements and retained the order. His records of receipts, disbursements, and inventory balances were periodically audited by another scribe or his superior.

The scribe performed an important role in the economic life of both ancient Babylonia and Egypt. With these scribes as clerical bureaucrats the Pharaoh and the provincial nobles maintained law and order in the state. Ancient slabs show such clerks taking the census, and examining income tax returns. Through nilometers that measured the rise of the river, the scribe-officials forecast the size of the harvest, and estimated the government's future revenue; they allotted apportionments in advance to government departments, supervised industry and trade, and in some measure achieved, almost at the outset of history a planned economy regulated by the state.
The scribes of both Babylonia and Egypt were well educated, in Mesopotamia in temple schools and in the Land of the Pharaohs in treasury schools. These schools were open to promising youth of any class, freeman and slave, without charge. Indeed, in Babylonia girls were educated in the temple schools and became scribes. The curriculum in Babylonia included the arts as well as business, accounting and commercial law; in Egypt the education was more utilitarian.

In both civilizations, however, the scribes were among the very small percentage of the population trained in reading, writing and arithmetic, and accordingly occupied positions of importance both in business and society.

The respect in which they were held is indicated by the tombs of some that achieved positions of power in the government. At Thebes, the tomb of Userhet, a royal scribe of the period of Amenhotep II (1450-1423 BC), was decorated with elaborate murals showing scenes of his service to his Pharaoh and of his private life. He lived well for he employed barbers and rode in a chariot to shoot gazelles and to hunt in the marshes alongside the Nile. Khaemhet, another scribe and keeper of the royal granaries under Amenhotep III (1410-1372 BC) had beautifully modeled reliefs in his tomb, with a superb figure of Khaemhet himself just inside the entrance door.

This high status of the scribe was maintained in Egypt for at least 800 years. Tombs of near royal splendor continued to be constructed for them. There is a sarcophagus in the Egyptian Gallery of the British Museum with hieroglyphics that indicate it was the coffin of Uah-ab-Ra, who in 600 BC was "Overseer of the Scribes of Crown Lands, Inspector of the Scribes and Chief Royal Scribe." Another, also in the British Museum, is the sarcophagus of Hap-men, who in 650 BC held the positions of "Scribe of the Revenue of Egypt, Chief Royal Scribe, Comptroller of the Scribes of the Taxes, Director of Public Granaries, and General Officer of the Egyptian Army. Eight Famous statues of scribes of ancient Egypt are on exhibition at the Louvre, the Cairo Museum and the State Museum at Berlin.

PERSIAN CIVILIZATION (549 To 330 BC)

Persia became a great power in 549 BC under Cyrus the Great who united the Medes and Persians. It reached its zenith under Darius (521486 BC), when it included all southwestern Asia, Egypt and part of the Thracian coast. Darius, a great organizer, used government scribes called the "kings eyes and ears," to perform an important function in the control of his extensive empire. For convenience of administration the empire was sectioned into satrapies each with a "satrap" as the civil administrator and tax collector. Government of these provincial units was divided; the troops were under a general and a royal secretary performed the duties of an internal auditor, reporting to the king's minister on the activities of the satrap and the general. The royal secretary accounted for taxes collected and remitted to the king.

The "kings eyes and ears," accompanied by a military escort, made surprise audits of the affairs of the provinces. These traveling government auditors were empowered to examine all records, question the satrap, the royal secretary and all employees and to take immediate corrective action if they believed it necessary. Oroetes, a Persian governor of Sardis about 500 BC, had one such royal courier waylaid and murdered and suffered the same fate himself under instructions from Darius. Needless to say, they were highly respected in the government sector of the empire.

CRETAN AND HEBREW CIVILIZATION

The Cretan and Minoan Civilization began about 3000 BC but reached its peak from 1600 to 1500 BC It comprised Crete, the Aegean Islands and the coast of Asia Minor, including Troy, and was a great maritime and commercial power. Although their hieroglyphics and script are largely unintelligible to us, frescoes on the walls of palaces on the island of Crete show that "the halls of the king are noisy with scribes taking inventories of goods distributed or received . . . with high officials conducting conferences, hearing judicial appeals, or dispatching papers stamped with their finely wrought seals..."
The Cretans, Trojans and Aegeans reached a high level of urban government. To administer the state, the monarch (minos) employed "as the litter of tablets suggests, a staff of ministers, bureaucrats and scribes." Doubtless when the language can be freely translated the tablets will disclose that the scribe occupied a place of importance in this civilization equal to that held in ancient Babalonia and Egypt.

Scribes were used to audit financial transactions in the Hebrew Civilization. II Kings 12:4-16 (896 to 562 BC) tells how King Jehoash, when the priests failed to repair the Temple in Jerusalem or to give an adequate accounting of the offerings for that purpose, appointed the "kings scribe" to audit the money collected for repairs. Under the King's instructions, he and the high priest, Jehoiada, together counted the money collected in a locked chest with a hole bored in the lid and placed alongside the altar for offerings. The money thus secured was used to repair the Temple.

Israel under David, became a great nation that occupied all of Palestine and most of Syria, David created a political system with a civil service with a Chancellor at the head and the chief scribe known as the Sopher, "writer of chronicles" in the second highest position in the government (II Samuel 8:16, 17). During the rule of Solomon, Israel reached an advanced commercial stage. Archeological excavations have uncovered remains at Ezion-geber which show that the hot winds blowing from the Wadi el Arabah Desert had been utilized in modern type blast furnaces to produce surprisingly high grade iron and copper which, in part, accounts for the wealth of the early Hebrew State.

In this wealthy and well organized State, the Bible documents the fact that the scribe occupied a position of great influence. In I Chronicles 27:32 (circa 1015 BC) we are told that Jonathan, David's uncle, was a "councilor, a wise man and a scribe." Later, in the period between 536-456 BC Shimshai, the scribe, represented King Artaxerxes in Israel. On the Persian King's instructions he ordered that the construction of the Temple in Jerusalem be halted and was obeyed (Ezra 4: 8). Although the Israeli scribe continued to hold this high position in government, he may have been unduly influenced by it, for at the beginning of the Christian era we are admonished. “Beware of the scribes, which desire to walk in long robes and love greetings in the markets, and the highest seats in the synagogues, and the chief rooms at feasts.” (St. Luke 21:46).

ANCIENT GREECE

In 1939 archeological excavations at Pylos, Greece (the possible site of the palace of Nestor of Trojan-war fame) recovered hundreds of clay tablets written in Minoan script. Scholars have since concluded that a Cretan scribe had been carried off by Mycenaean raiders and set to work keeping the accounting records of this early Grecian King (circa 1400 BC). Perhaps from this beginning, it became customary to use slaves as scribes and auditors in Greece. The early Greeks were a war-like people with little use for writing, arithmetic or accounting and the scribe lost his place of great respect Slaves were preferred as accountants because the law prohibited the torture of the freeman. The statements of a slave under torture were felt to be more conclusive evidence than those of a freeman under oath; an unsophisticated and drastic, even though effective, type of audit.

With the growth of governmental revenues, particularly in Athens, accounting and auditing became more important. In the golden age of Pericles (461-429 BC) each citizen became an auditor by the custom requiring contractors of public buildings to report their receipts and expenditures on tablets chiseled in stone on the walls of the building. One such tablet indicates that the Parthenon cost 469 talents of sliver, or about $500,000. Displaying the cost of construction on the building itself did not originate with the Greeks. Herodotus (484 to 42: BC) tells of such an inscription carved in Egyptian characters on the Pyramid of Cheops recording that the radishes, onions, leeks, garlic and purgatives for the laborers who constructed it cost 1500 talents of silver (90,000 pounds or about $200,000), assisted in its task of financial administration by a secretary (grammateus) and several checking clerks (antigrapheis) who reported the income and expenditures of the government to the public. Athens also had ten state accountants (apodectae), chosen by lot from
the citizens, whose duties were to audit the collection of taxes and other revenues, to apportion the revenues among the various temple treasuries, to control their expenditure and to annually take a complete inventory of the temples' contents and property.

Aristotle, discussing the financial administrative function of government in his Politics, gives the government auditor a place of importance saying they would "receive all accounts of expenditures and subject them to audit, a duty so important that these officials handle no other business."

**Roman Empire**

The far flung Roman Empire was made possible by the might of their armies and their remarkable skill as administrators. Like the Persian Empire before it, the Roman Empire made effective use of accounting and auditing to control the generals of conquered territories. The counterpart of the "king’s eyes and ears" were the "quaestors," who came into being about 200 BC. They were financial officers responsible to Rome who had custody of the treasury, supervised the scribes in their duties of recording treasury receipts and disbursements, and examined the accounts of the governors of subjugated countries. The quaestors were required to report periodically to Rome and have their records heard by an examiner. The word "auditor" came into use through this practice.

Cicero recounts one such audit by Verres, quaestor to Cn. Papirius Carbo in Gaul in 84 BC. Speaking of his report, Cicero says, "this is an extraordinary document. It gives no details at all, but simply says, 'I received 2,235,417 sesterces. I spent on army pay, corn, the legates, the proquaestor and the praetorian cohort, 1,635,417 sesterces. I left at Arciminum 600,000 sesterces.'" Cicero was very bitter about the inadequacy of this report rendered to P. Lentulus and L. Trearuis urban quaestors for the Senate.

The Roman Empire made use of a complete system of checks and counter checks. They separated the duties of collecting revenue, authorizing expenditures, maintaining custody of cash, and recording financial transactions. Expenditures were required to be supported by documents disclosing the identity and title of the creditor and attesting the completion of the work or receipt of the goods called for by the order. Magistrates authorized payment on the basis of these documents and after disbursement, treasury scribes recorded all transactions. Quaestors supervised and audited all government financial transactions. Tax examiners also were used in Rome and played a prominent role in the collection of government revenues.

Since every taxpayer sought to evade taxes, the state organized a special force of revenue police to examine every man's property and income; torture was used upon wives, children and slaves to make them reveal the hidden wealth or earnings of the household; and severe penalties were enacted for evasion.

Accounting was an important ingredient of government in the Byzantine world, the Eastern Roman Empire. Constantine founded a school at Constantinople which taught accounting and other subjects for the training of government officials. Later, in 800 AD, the Empress Irene was much beloved by her subjects because she managed the finances of the Eastern Empire well and reduced taxes. When the Iconoclasts revolted in 802 and deposed the Empress Irene, they selected her treasurer to become Emperor Nicephorus. This is, perhaps the highest position to which an accounting background has carried its possessor.

**THE MIDDLE AGES**

The Holy Roman Empire under the leadership of Charlemagne followed the example of the Persian and Roman Empires in using government auditors to control the affairs of state. Missi dominici, “emissaries of the master,” were sent to review the affairs of the various administrators. The emissaries carried instructions from Charlemagne to local officials, made audits of their records, reviewed their actions and reported the results to the King. Unfortunately for the Empire, after the death of Charlemagne (825 AD) no strong organizer appeared to take his place. Within one generation the missi dominici were disbanded. Control of the local rulers was lost, and the Empire disintegrated.
In the middle ages, accounting, along with the other arts, suffered a decline because of the general disorganized condition of government and the economy throughout Europe. Gradually, however, accounting was reestablished:

The complicated operations of the bankers, the papacy, and the monarchies required a careful System of bookkeeping, Archives and account books swelled with records of rents, tax, receipts, expenditures audits and debits. The accountancy methods of imperial Rome, lost in Western Europe in the seventh century, continued in Constantinople, were adopted by the Arabs and were revived in Italy during the Crusades. A fully developed system of double-entry bookkeeping appears in the communal accounts of Genoa in 1340; the loss of Genoese records for the years from 1278 to 1340 leaves open the probability that this advance was also an achievement of the thirteenth century.

Auditing too regained its importance as a governmental control. For instance, in England, during the reign of Henry I, beginning in 1130 the Pipe Roll was compiled annually to show taxes collected and amounts due the crown. One roll was maintained at the Exchequer, another by the Chancellor's clerk and a third by a special representative of the king. The three records were audited annually by 'auditores comptorum scaccarii' and each page, as reconciled, was marked "probatum," the mark of the auditor.

Sheriffs, who made the actual collection of taxes in the counties, were required to make a deposit at the end of six months to the Exchequer at Westminster. The sheriff was given a "tally" as a receipt which he presented along with the balance of the funds at his annual accounting. These tallies were sticks of hazelwood, usually 8 or 9 inches in length, which were notched to represent the amount, and split so that the sheriff and the Exchequer each had a half. At the end-of-the-year audit, the halves were matched and credit given for the deposit. Incredible as it may seem, instances are recorded of sheriffs’ adding notches to their halves of the split tally in an attempt to cover shortages. The use of the tally did not originate in England but was much more ancient. Herodotus tells of tallies being used in about 600 BC when a citizen of Miletus placed half his fortune into the hands of Glacus of Sparta together with tallies with instructions to "give back the money to the person who shall bring you their fellows."

Government audits were performed in many areas of the world in addition to England. At Pisa, in the early part of the thirteenth century, Leonardo Fibonacci, the author of several books on mathematics, was employed to audit the accounts of the city. In Venice, at about the same time, auditors reported to the senate and received as a fee a percentage of the amount of mistakes and fraud they discovered.28 The City of Dublin is known to have been audited in 1316. Even Columbus on his first voyage to the Americas in 1492 was accompanied by an auditor who represented Queen Isabella. The disappointing balance sheet of the expedition disclosed "on the credit side forty green parrots, a child's handful of thin gold nose rings, some rolls of coarse fabric, worse even than that spun in Isabella's Spain, six credulous savages, a mixed taxidermic collection imperfectly prepared, and the bamboos."

AUDITING IN THE PRIVATE SECTOR

Although most of the evidence relating to early auditing pertains to official government affairs, scribes undoubtedly made audits of private commercial ventures. Perhaps even more frequently the owner himself performed the audit. In the famous Zenon papers we find an early reference of such a practice. Zenon, a Greek, was the chief accountant for Apollonios, the financial minister of Ptolemy Philadelphos, in third century BC Egypt. Zenon kept the records for both the official and private affairs of Apollonios. The Zenon papers (found inside a mummified crocodile) reveal that "Apollonios operated frequent test checks on his servants, particularly where he had reason to suspect some irregularity. We find him showing his dissatisfaction because seven talents had been paid out in cash without his authorization, and cashiers Aristeos and Artemidoros had their books examined, whereas Zenon was notified to have his books ready for a surprise audit.
In Roman times Cato advised land owners to count the cash and take inventories of grain, fodder, wine and oil on each visit to their farms and to frequently check the accounts of their stewards. About this time we find the first reference to audits of business ventures. Italian banks were required by law to maintain complete records of all transactions with depositors and, in the case of disagreement, to present these records to a tribunal for audit.

It was not until the fifteenth century, however, that we have evidence of systematic auditing of business firms. Regular audits of the records of the Medici Bank were performed during the period 1397 to 1494. The main office in Florence required that an annual balance sheet be submitted by each branch. The general manager and his assistants audited these statements which are still found in the archives of Florence. Raymond de Roover describes one:

This balance [sheet] is of special interest because it throws a great deal of light on the procedure followed in auditing and checking statements. Each item is accompanied by a comment on the prospects of obtaining payment in the case of receivables and on the likelihood of having to repay in the case of deposits. A typical comment, for instance, is the following: "This customer has such great difficulty in making a living that he is unable to pay us, and selling the contents of his shop will involve much trouble and not bring enough to cover his debt...." Many of the ecclesiastics attending the Council had deposit accounts on which they drew to meet living expenses. A frequent comment is: "he withdraws his funds little by little." On the basis of annotations made on the balance sheet, one comes to the Conclusion that at least twenty-two items appearing as assets and totaling 575 florins* represent overdue accounts which should have been written off.

In 1467, Piero di Cosimo, managing partner of the Medici Bank, sent Angelo Tani to audit the London branch which was on the verge of bankruptcy. His instructions were to ascertain whether the manager had made wise investments and operated within the scope of established policies. Tani reported that the manager was honest but had made unwise investments. Edward IV owed 8,500 pounds sterling (it was bank policy not to make loans to royalty) and many other accounts were overdue. Tani not only performed an audit but assumed control of the branch until its liquidity was assured. King Edward IV granted a remission of customs duty on wool exports and cloth imports to apply towards reduction of his loan. It was never fully liquidated but the London branch did weather this particular storm.

From the sixteenth century on, there are many references to audits of both governmental and industrial ventures. Perhaps one of the most interesting is the record of an audit early in our colonial times. "In 1631, the backers of the Pilgrim fathers’ settlement at Plymouth sent an auditor from Holland because the loans made in 620, plus interest, plus cost of supplies later sent over had not been paid but rather increased. Governor William Bradford and the leaders complained about the additional burden of the new accountant saying that ‘if they were well dealt with and had their goods well sent over, they could keep their accounts by themselves.’"

CONCLUSION

The history of accounting and auditing has been reasonably well documented for the period after the middle ages. No attempt has been made here to present a coordinated, sequential history of accountancy, even of the early historic times. Rather, it is the purpose of this paper to add a little to our knowledge of the early beginnings of our profession from references gathered largely in non-accounting literature. If even a few of the facts presented are new to the reader, the author will consider his time to have been well invested.