

Exploring the Roots

This article is on the journey of accounts and the milestones made. It starts with Vedic Scriptures and how accounts were used in it. The article moves on to how Archaeologists have found evidence of Development of accounts and records on clay tablets which dates back to the ancient Mesopotamia. It portrays on how accounts evolved in India from the era of Chanakya to the modern techno age. Read on...

“Behind every good businessman there is a great accountant” – This saying brings great pride to our community and I thought that knowing the roots of accounts is equally essential.

Accounts is just not a list of debits and credits but a language of business and finance. Accounts translates the complexities of finance into information which the general public can understand and take informed decisions.

Accounting History can be traced to ancient civilizations.



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Archaeologists have found evidence of Development of accounts and records on clay tablets which dates back to ancient Mesopotamia, Egyptian and Babylonian society as early as 2000 to 3300 B.C. So accounting would have evolved when society started trading.

Luca Pacioli, father of accountancy who in 1494 first introduced the system of double-entry book keeping which was used in Italy, is regarded as Father of modern accounts, but he did not invent accounts. Rather, he described a method which was used by merchants in Venice. His system introduced accounting cycle as we know

it today. The first accounting book was one of five sections in Pacioli's mathematics book, titled "Summa de Arithmetica, Geometria, Proportioni et Proportionalita" (Everything about Arithmetic, Geometry and Proportions). The section on accounting served as the world's only accounting text until the 16th century.

History has evidence that accounts evolved in 2000 B.C, but in India we trace it back to Vedic Scriptures. Chitragupta (meaning 'rich in secrets') is a Hindu God who keeps absolute records of the assets and liabilities (Karmas) that every human beings accumulates over their life span. He is also



known as Dharmaraja, God of Justice. There is proof that in bygone times accounts were maintained by professionals of Law. Chitragupta is believed to be created from Bramha's soul and mind, who has the task of deciding heaven or hell for humans according to their actions on Earth, like how accounts is the deciding factor for every business.

Eventhough Indians followed accounting system from the time of Vedic scriptures evidence of usage of accounts in India was around the second century. Indian economist Chanakya wrote a manuscript similar to a financial management book, during the period of the Mauryan Empire around the third century B.C. His book "Arthashashtra" contains detailed aspects of maintaining books of accounts for a Sovereign State. The book holds advices and details on how to maintain record of books for accounts.

Chanakya was an ancient Indian teacher, philosopher, economist, jurist and royal advisor who assisted the first Mauryan emperor, Chandragupta in his rise to power and establish the Maurya empire. He is traditionally identified as Kautilya or Vishnugupta, who authored the ancient Indian political treatise, the Arthashastra. He is considered a pioneer in the field of political science and economics in India. His works were lost near the end of the Gupta Empire in the 6th century B.C. and rediscovered in the early 20th century.

He recognised the importance of accounting methods in enhancing economic enterprises. He had a conviction that economic performance was essential for effective allocation of resources. He considered accounts as an integral part of economics. Kautilya enumerated a very broad scope for accounts and considered explanation and prediction as its objective. He made headways in developing book keeping rules to record and classify economic data. He accentuated on independent periodic audit and emphasised on two critical roles, one that of a Treasurer and another of a Comptroller – Auditor to increase accountability and reduce the scope for conflict of interests. Chanakya's contribution to accounts can be classified into four heads, first- Development of principles of accounting, second- specification of scope and methodology of accounting, next- modification of financial rules and regulations and the creation of organisational structure and the last- he also prioritised the role of ethics which will restrain fraudulent accounting. He has surmised most of the aspects which we use in accounts and finance today.

A person who took accountancy to the next level in India is Shri Kalyan Subramani Aiyar (1859-1940) who was a pioneer of commercial and accounting education in India.

Shri Kalyan Subramani Aiyar, started one of the very first accounting firm in India. He is a pioneer in commercial and accountancy education and profession in India.

The culminating stage of all the above is - The Institute of Chartered Accountants of India (ICAI).

ICAI was established on 1 July 1949 as a statutory body under the The Chartered Accountants Act, 1949 enacted by the Parliament (acting as the provisional Parliament of India) to regulate the profession of Chartered Accountancy in India.

The Institute of Chartered Accountants of India (ICAI) is the national professional accounting body of India. ICAI is the second largest professional Accounting & Finance body in the world. ICAI is the only licensing cum regulating body of the financial audit and accountancy profession in India. It recommends the accounting standards to be followed by companies in India to National Financial Reporting Authority and sets the accounting standards to be followed by other types of organisations. ICAI is solely responsible for setting the Standards on Auditing (SAs) to be followed in the audit of financial statements in India. It also issues other technical standards like Standards on Internal Audit (SIA), Corporate Affairs Standards (CAS) and so on. ICAI is one of the founder members of the International Federation of Accountants (IFAC), South Asian Federation of Accountants (SAFA), and Confederation of Asian and Pacific Accountants (CAPA).

Milestones in Accounts

- Book keepers - This method was present during barter system. They maintained accounts in narrative style.
- New and Improved Ledgers- Ledgers were adapted when currencies became prevalent. They followed narrative style with numbers in one column.
- The Mathematical Monk – Double entry book keeping was followed. Accounting records were however only for the owners who hired the book keeper. The general public had no access to such records in this age.
- The American touch - Book keeping migrated to America with European colonization- the businesses were small and the owners were personally involved and aware of the financial health of their companies.
- Early Financial Statements - To attract investors, corporates began to publish their financials in the form of a balance sheet, income statement, and cash flow statements.
- Birth of a Profession - The modern profession of chartered accountant originated in Scotland in the nineteenth century. Accountants often belonged to the same associations as solicitors, who often offered accounting services to their clients. The accounting profession was recognised in 1896 with the establishment of the professional title of certified public accountant (CPA). In India, The Institute of Chartered Accountants of India (ICAI) was established on 1 July, 1949 as a statutory body under the Chartered Accountants Act, 1949 enacted by the Parliament to regulate the profession of Chartered Accountancy in India.
- Accounting Today - Technology has transformed accounting.

Bookkeeping is now completely automated. The first accounting records were kept in America, bookkeepers had used a number of tools. The adding machine in 1890 helped early accountants calculate receipts and quickly reconcile their books. When IBM released the first computer in 1952, accountants were among the first to use them. Technology has brought a number of softwares in the areas of accounting. Technology has also led to development of cloud computing, blockchain, automated accounting technology, and so on. These new advancements are much more intuitive, helping accountants do their job quicker, more accurately, and with more ease and helps in transparency. ■■■

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