

CONSIDERATIONS REGARDING THE EVOLUTION OF ACCOUNTING

Iuliana CENAR¹, ORCID: 0000-0001-8476-0178

Adriana Mihaela CIULA², ORCID: 0000-0002-2056-0449

Abstract: *To demonstrate and substantiate its scientific character, researchers and authors in the field of accounting have formulated and reformulated concepts, principles and rules regarding the accounting's object of study. In an attempt to understand the role of accounting, scholars have developed theories from different perspectives. It is not surprising, therefore, that different approaches to theory have, over time, led to multiple interpretations of the practice of accounting. This study explores the evolution of accounting and the role it has played in social life through a comprehensive review of national and international literature in the field. This review entailed a critical evaluation of the knowledge gained in the field. It addresses the internal contradictions in the theoretical system that is the scientific basis of accounting and the dynamics of which are permanently anchored in economic and social events.*

Key words: *accounting, accounting theory, globalisation, integrated thinking, digitalisation*

Classification JEL: M 4, M41

Introduction

“The world faces unlimited possibilities. But nothing can be achieved, as long as we do not know the importance of what happened so far.” N. Titulescu

The lack of a single unanimously accepted theory of accounting might lead us to believe that the field of accounting is in a pre-scientific stage and lacks maturity as a scientific discipline. However, scientists in a field can share a theory or a set of theories (Kuhn, 1976). A theory “allows the virtual systematization of a large number of data, the suggestion of new observations, the interpretation, prediction and explanation of a specific class of phenomena and, nevertheless, it remains conjunctural, partial and approximate” (Cornel Ionescu, 2006). Ilie Bădescu (2011) emphasises that there every theory has a lifetime and is replaced; this lifetime can be determined by researching the framework that determines such a parameter.

Following a review of the local literature, we found out that in recent years, there has been a decrease in concerns regarding the epistemological analysis of accounting and the theoretical approaches to the science of accounting. Our study deals with this issue and highlights, on the one hand, the existence of a plurality of explanatory discourses in accounting theory, and, on the other hand, explores the need to develop a theoretical body of accounting that can claim the status of a mature scientific discipline and evolves with economic and social changes. The content of the study is completed by an analysis of the main types of research used to delimit the field of accounting. This analysis captures the field's evolution in new directions such as integrated thinking, globalisation and digitalisation, an evolution generated by the permanence of the modifications

¹ Prof. Ph.D., “1st December 1918” University of Alba Iulia, 0766662948, cenar_iuliana@uab.ro

² Ph.D.c., “1st December 1918” University 1918” of Alba Iulia, 0745145371, ciulamihaela@yahoo.com

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observed in the business environment and in the economic and social environment more generally.

The research methodology is based on a qualitative approach, carried out through a top-down deductive approach, starting from concepts, theoretical notions and specific regulations that constitute the conceptual framework of the study. The research strategy respects the established stages of such a paper and uses the following methods: documentation, analysis of collected information and comparison. Our scientific approach follows a descriptive, explanatory and comprehensive logic.

“Theory” and “accounting theory”.

In the field of science, there are a number of views regarding the notion of “theory”, which has a Greek root meaning “contemplation”.

According to the Small Academic Dictionary (2010), theory is a “superior form of scientific knowledge that mediates the reflection of the reality” and a “systematic set of ideas, hypotheses, laws and concepts that describe and explain facts or events in certain fields or categories of phenomena”. From an epistemological point of view, “a theory is a coherent and articulated hypothetical-deductive system, an infinite set of closed statements under the operation of deductibility” (Ionescu, 2006).

We can thus observe two approaches to the concept of theory: 1) in the narrow sense, a theory is a set of ideas, abstract concepts, more or less organised, applied to a particular field; and 2) in a broad sense, a theory is an intellectual, synthetic, methodical and organised construction, with a hypothetical character, at least in some of its parts (Horomnea, 2013).

In their classic work in the field of accounting, Hendriksen (1963) defined “theory” as “the coherent set of conceptual, pragmatic and hypothetical principles that form the general frame of reference for a field of research”, particularising by defining “the theory of accounting” as “logical reasoning in the form of a set of general principles that provide a general frame of reference through which accounting practice can be assessed and which guide the development of new practices and procedures”. We deduce, therefore, that the main purpose of the theory of accounting is to explain current accounting practice and to provide the basis for the evolution of such a practice.

Accounting practices tend to be answers to the informational needs of stakeholders. The International Accounting Standard Board is currently developing a unique set of high-quality, globally accessible and globally accepted financial reporting standards in the interest of users. We can appreciate that the role of standards is to impose a conceptual framework on accounting and financial reporting, through which “the general theory of accounting develops, a discrete and inseparable side of the science of accounting” (Horomnea, 2013).

Several approaches and levels of knowledge can be identified in the evolution of the theory of accounting (Ion Ionaşcu, 2003):

- *The epistemological or meta-theoretical level* of accounting, which includes philosophical reflection on the object, values, axioms, principles, methods, theories and scientific truth in accounting, or the most general attitude of the human being to the problem of conceptualising and modelling the world real through accounting;
- *The theoretical level*, which includes all theories concerning accounting, formulated throughout their evolution; and
- *The operational or practical level*, which includes the accounting norms and practices and the legislative, technical and operational aspects of the field.

In the process of assertion and evolution of accounting in the different stages of the development of society, there have been extensive discussions and theories that have both converged and diverged on its nature and character. The construction of an accounting theory requires the justification or refutation of existing accounting practices, the aim being to develop a conceptual framework for what accountants do or are expected to do.

We believe the significance of theories of accounting is best appreciated by examining the functions they fulfil; this highlights the continuous interrelation between the theory of accounting and accounting practice.

Table no 1. The functions of accounting (B. Colasse, 1995)

The explanatory function	The normative function	The predictive function
<p>The accounting theory scientifically examines the various aspects of accounting practice.</p> <p>A theory provides a pattern of ideas that defines noticeable problems and ensures they are understood by explaining them.</p>	<p>The accounting theory is focused on assessing the quality of accounting practices.</p>	<p>The accounting theory aims at anticipating and solving new problems that occur in the field.</p>

Source: our processing

Given the diversity of the assumptions in the accounting environment, authors, researchers, and practitioners have approached the task of constructing theory in different ways. As a result, accounting has been in a state of continual crisis or “revolution”, in which various accounting paradigms or models have competed for primacy, acquired interest groups that supported the dominance of their particular paradigms and resulting theories, and there was the gradual influence of politics in the process of setting standards.

Approaches in developing accounting theory

During the long historical evolution of accounting, and in an attempt to understand its role, theorists have developed theories from various perspectives. It is not surprising, therefore, that different approaches to accounting objectives, accounting reporting, and the use of accounting information have led to many interpretations of accounting theory and practice. These interpretations are not mutually exclusive. On the contrary, we could see them as complementing each other.

Defining accounting and studying its role is not an easy task for accounting researchers but rather presents a research challenge. Researching the role and structure of accounting is a demanding task, especially in the contemporary circumstances of the globalisation of financial markets and modern information technology.

The first definition of accounting was that of the Italian mathematician Luca Paciolo in their famous work “Summa de arithmetica geometria proportioni et proportionalita” (1494), analysing accounting as a set of principles and rules on the double entry of the wealth belonging to a merchant, as well as all his business in the order in which they took place” (Rusu and Șt. Cuciureanu, 1981; quoted by Calu, 2005). After Luca Paciolo, accounting developments were concentrated on justifying certain practices, this being called, in the specialised literature, the “pre-theoretical period”, which extended until the end of the 19th century.

The content of accounting is directly conditioned by the concept of accounting, specifically by the objectives of accounting and by accounting assumptions and principles. The concept of accounting, according to the research conducted by the American Institute of Certified Public Accountants in 1959, has made the transition from *traditional* to *modern*. According to the traditional concept, the intended orientation of accounting was as a “secondary character” (Hendriksen, 1963). The modern accounting concept, which has dominated since the early sixties until now, subordinates the content of accounting to the objectives of the users of accounting information.

The specialised literature indicates that, from the first work in the field of accounting by Luca Paciolo until now, the evolution of accounting has been an evolution of the accounting currents or an evolution of the accounting theories along with economic-social culture and thinking (homo economicus). Thus, another criterion for classifying accounting theories is whether they are *historical* or *current* theories (Ionaşcu, 1998). A synthesis of the main approaches of these theories is realised in the table below:

Table no. 2 Historical and current accounting theories and trends

Historical theories	Approaches
The theory of the axiomatic accounting technique	Accounting is considered “a science of the accounts”.
Mathematic theory of accounting	Many accounting authors were mathematicians.
Administrative theory of accounting	Accounting is the science of the rational administration of the enterprise .
Judicial theory	Accounting is a patrimony science because any accounting record expresses a judicial fact.
Economic theory of accounting	The role of accounting is to reflect the circulation and successive transformation of capital. It approaches accounting in terms of the theory value-work.
Current theories	Approaches
Normative theories	<p>Focused on value judgements and aimed at applying the adopted accounting principles, procedures, methods and tools used to achieve specific objectives.</p> <p>Includes legislative regulations in the field of accounting and the adoption of accounting standards, which is a useful framework for defining accounting policy. Therefore, accounting practice fulfils the theory, but the theory also imposes regulations and norms in the practice of accounting.</p> <p>Embraces the idea of a ”conceptual framework”, meaning the creation of a structured theory of accounting.</p>
Empirical theories (positive)	<p>Focused on the empirical testing of hypotheses.</p> <p>Involves the development of hypotheses about reality that are subsequently tested by observing reality.</p>
Behavioural accounting theory	Mainly refers to the broader sociological implications of the accounting numbers and the way key actors (managers, shareholders, creditors, and the government) react to the accounting information

Source: our processing

Dissatisfaction with normative theories, combined with increased access to empirical data sets and a growing recognition of economic arguments in the accounting literature, has led to a shift to a “new” form of empiricism that operates under the broad label of “positive theory”. The positive approach has attracted criticism, primarily because of the attitude of positivists who tend to reject alternative views. This led to the emergence, especially in the 1980s, of behavioural research and the formulation of behavioural accounting theory that focuses on the psychological and sociological influences on individuals and their use in handling accounting.

The dynamics of the field determined the shape of new trends in accounting theory (Godfrey et al., 2006): “academic” research conducted in universities and the “professional” environment conducted by professional bodies. However, both academic and professional interests in the development of the theory tended to relate to the past, adopting different approaches. While the focus of academic research remains in the area of positive accounting theory, the profession has sought a more normative approach. In particular, the profession has sought theories that unify accounting practice and make it more useful, while university researchers have sought to better understand the role and impact of accounting information. In our opinion, positive and normative approaches are not incompatible; understanding the impact of accounting is a factor that is taken into account by regulators in the development of accounting rules and regulations. A schematic representation of accounting theories is realised in the table below:

Table no. 3 Accounting theory timeline (Godfrey J et al., 2006)

Period	Theory
Before 1450	Practice development
1450 to 1750	Pre-theory period (continued development of practice)
1750 to 1920	Formalisation of practice
1800 to 1955	General scientific period – explanation of practice and development of an explanatory framework
1956 to 1970	Normative accounting theory – statement of ideal practices and basis for achieving such practices
1970 to 2000	Positive accounting theory – a framework to explain and predict behaviour
2000 to present	Mixed development – positive and behavioural theories

Source: our processing

Following a review of the specialised literature, we identified a constant preoccupation of the main international accounting schools, but also of the Romanian authors, with demonstrating the scientific character of accounting. Accounting, from a scientific point of view, is a systematic totality of knowledge in the field of economic activity, having a unitary content and guided by principles based on obvious elements, known and found in a unitary form and being in logical and justified relationships (Bojian, 2004). The point of view supported by Demetrescu et al. (1979) in favour of the scientific status of accounting is that “accounting has specified its object and method of research, proved its usefulness in all sectors of activity and as a result, it can be unequivocally considered as a science” and the reasons underlying the existence of accounting (N. Feleagă, 1996) are:

- the existence of a trade between individuals or economic agents;
- human, financial, natural and technical resources are found in limited quantities;
- the existence of a third person interested in the financial information produced by economic agents.

We believe that the function of accounting is to provide accounting information about business events to stakeholders, such as managers, investors and creditors. The information provided by accounting for the purpose of making decisions must meet the following qualitative criteria (IFRS): relevance, accurate representation, joined with intelligibility and comparability, qualities that ensure the usefulness of the information that is conveyed. But the different categories of users (shareholders, potential investors, management, the state, suppliers, creditors, employees and customers), are bearers of distinct interests in the “economic space” and these are often divergent. The constant pressures that these “interest groups” exert on the ones in charge of normalising, the more or less visible disputes between the different categories of users, determine a certain

“interpretation” of the accounting truth, which, from the perspective of the interested parties, received the name of “social game” (Horomnea, 2013).

The tendencies regarding accounting theories are in full agreement with the research directions seen in accounting history; thus, in order to delimit the accounting field, we distinguish two complementary types of research: *fundamental* and *applied* (Ionaşcu, 1997). *Fundamental research* in accounting focuses on the analysis of accounting as a historical, social and organisational phenomenon. The results of this type of research contribute to the increase of knowledge in accounting by realising the definition of the field’s concepts, methods and functions. This type of research is an indirect response to the needs of accounting practice but ensures the substantiation, promotion and direction of accounting practices.

Applied research in accounting aims to improve accounting tools depending on the context and to identify new accounting models that meet business needs. This area of research includes studies that seek to integrate the aspects of organisational reality that are not always included in the field of accounting modelling; studies aimed at adapting the modelling of new requirements, new research, and new currents; and studies that explore the possibilities of renewing the accounting processing offered by new technologies (Colasse, 1995).

The existence of the two sides of research in accounting was also identified by Romanian authors Demetrescu, Feleagă, and Ionaşcu, who called accounting a “fundamental and applied science”. From the information presented, we can deduce that accounting is constituted as a science, with a plurality of theories, open to fundamental and applied research. Accounting, as a scientific discipline, is today located in the field of management sciences, after several decades when it was most often considered a discipline in economics. The new positioning results from accounting’s practical role – it has become an instrument or tool for business management – but also from the way accounting issues are addressed in large US business schools. Accounting thus acquires new value in the company’s decision-making process through which human, material, financial and information resources are managed, and that aims to reduce costs and maximise revenue. From this perspective, we can consider accounting a management science and included in the family of social sciences.

Given the complexity of issues of sustainability, another type of research has developed. *Transdisciplinary research* addresses issues that cross the boundaries of two or more disciplines and aims for a holistic approach. It also involves concepts or methods that were originally developed in one scientific discipline but are now widely used in others. In terms of accounting, cross-disciplinary research recognises the need for a new accounting model that is designed to advance decision-making processes and accountability and create a bridge between the entity and stakeholders (customers, suppliers, government agencies, employees and other groups). This model generates a new orientation for accounting: accounting for sustainability. The major concern of this new orientation is the integration of social and environmental factors in traditional financial reporting and in performance measurement. It is increasingly present in both scientific research and firms’ business policies. The new direction of accounting is a way to integrate the functions of the corporation – finance, marketing, research and development – in a strategic manner.

New orientations of accounting

Concerning permanent shifts in the emerging business environment, studies in the field of accounting science have introduced some major changes, including by developing new guidelines in the evolution of accounting such as integrated thinking, globalisation and digitalisation.

Integrated thinking is the new perspective of corporate-integrated reporting, which seeks to recognise, evaluate and present social and environmental information along with financial information. Integrated reporting is not just an “evolution of corporate reporting, with an emphasis on concision, strategic relevance and orientation towards the future”; it is a tool that can lead to “behavioural changes and improved performance across the organization” (ICIR, 2019). The

International Council for Integrated Reporting promotes integrated thinking, which allows for "a better understanding of the factors that significantly affect the organisation's ability to create value."

In this regard, the International Council for Integrated Reporting has defined six different types of capital representing value inventories that can be increased, decreased or transformed through the activities and results of the organisations. These are financial capital, manufactured capital (most frequently reported by organisations), intellectual, social and relations capital, human capital and natural capital. Organisations will rely on and use several types of capital to create value for themselves and other parties. Financial results no longer provide a sufficient overview of a business. For an overview of the activity carried out by an entity, the reports will have to include the traditional financial elements and additional non-financial elements that provide information on sustainable development, the impact of the activity on the environment, and the firm's social responsibility. Integrated reporting is based on integrated thinking, which leads organisations to have a more comprehensive and compelling approach. Facilitated by good leadership, this can create value in the short, medium and long term on several levels. Integrated reporting is meant to improve internal and external communications about how value is created and maintained.

Globalization is a new stage of civilization and describes the making of an international economy, market merger, concentration of capital, and the creation of new general conditions and legal bases for economic activities and changes in societies, which are practically a certainty nowadays. The globalisation of economic and financial markets and the economic evolution of the last several years have generated the development of accounting systems that are based on high-performance accounting standards and good practices from a range of countries. The business environment increasingly fructifies the effect of a scale economy; business is being designed on a large scale by creating transnational companies. In this context, international standardisation appears to be more and more necessary; there is a concern for the production and provision of relevant accounting information and the inclination of the accounting profession towards managerial accounting.

For these reasons, it is essential to harmonise accounting regulations through extensive international cooperation. Jurisdictions around the world require that entities' financial statements need to be prepared in accordance with International Financial Reporting Standards (IFRS). The needs of international clients must be met in a context where affiliates may apply different sets of accounting rules. Although the use of IFRS is not mandatory in all countries, in an increasingly globalised economy, accounting firms must be able to respond to the needs of their clients whose activities extend beyond the borders of the state in which they reside.

In the current context, in which we are witnessing rapid progress in informational systems, there is a need for a new approach to accounting computerization, which can have a positive impact on the business environment. *Digitalisation* is "the reality in which the modern professional accountant is trained, perfected and carries out his daily activity. It is an environment in which understanding the opportunities of new technologies ensures overcoming obstacles and preventing risks" (<http://bit.ly/2MTszyJ>). Cloud services, smart systems and Big Data have quickly entered the accounting field. The importance of technological progress was very well captured in the findings of a study in 2014 by the Association of Chartered Certified Accountants in collaboration with the Institute of Management Accountants: "First, they play a key role in bringing wealth, in improving the quality of life, they have an impact on economic growth and can even transform societies. Secondly, the guaranteed revenue streams are declining and thus companies are forced to continuously innovate and experiment, which of course poses risks. Finally, technology is evolving very fast, and consumers' and corporates' strategies need to keep up." In situations of economic and financial crisis, such as those a few years ago and in the current period, technologies such as cloud computing and business intelligence have become increasingly important to obtain advantages but has involved the expense of the implementation of expensive and complex on-site systems (Pugna

and Boldeanu, 2013).

The current economic context caused by the COVID-19 pandemic has created the grounds for the establishment of guidelines in accounting for strengthening the resilience of businesses to future shocks or disasters and encouraging risk management and the development of “business ethics”. Resilience means having the organisational discipline and agility to constantly develop and improve the company’s plans and capabilities. Although the focus has quickly become response and recovery, there must continue to be a strong focus on prevention to reduce the likelihood and potential impact of disruptions. The development of the notion of business ethics is one of the thinking challenges of business in the future. It is imperative that there is an organisational culture in all companies that always encourages the observance of a unitary set of moral values and ethical behaviour; this can be achieved only through the joint effort of all the actors in the business environment.

Conclusion

The analysis of the evolution of accounting draws our attention to the fact that in this field, we encounter a diversity of opinions and theories – such diversity is ultimately a factor in progress in science. But any approach to accounting, as a form of scientific knowledge, must be done three-dimensionally: an epistemological, theoretical and practical approach is needed. The existence of an epistemology of a field (including in accounting) ensures a “continuous” process of maturation. Therefore, the existence of multiple theories in accounting confirms its status as a mature scientific discipline, permanently anchored in the contemporary economy between balance (seen more recently as a special case) and the situation of “predictable chaos”.

Accounting research is veridical if it is based on the three inseparable poles; the finality of knowledge in accounting is the utility of the knowledge of the accounting information in the practical activity. Accounting has been and will remain a component of the social sciences, and future scientific concerns will be driven by the socio-economic changes in the global context. The new economic situation, and implicitly the use of accounting as a management tool, will be based on the idea that “the joy of living is the true meaning of an activity”, thus taking into account not only the concept of financial capital but also those of natural and human capital.

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