Khondaker Mizanur Rahman

*Development of Business Organization and Accounting: Historical Simultaneity and Congruity*  
(LAP LAMBERT Academic Publishing, March 2011)

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1 INTRODUCTION

Of many factors that have influenced the development of accounting as an academic and applied discipline, prima facie, the need of management and operation, the demand of transforming business organization, the demand of taxation, the demand of business combination, the demand of foreign direct investment, the demand of the government, the need of business environment, the need from the development of industrial technology, the need of cross-border business, and the need of harmonization of accounting on a regional and international have been most important and pervasive. Accounting scholars, students, and practitioners have addressed and studied the influence of these factors using different theoretical and empirical approaches, which can be called pragmatic, semantic, normative, positive, and naturalistic. Khondaker Mizanur Rahman, a prolific author, a university professor, and an ardent student of accounting and management, has studied the topic of demand of transforming business organizations and the development of accounting over twenty years in his different status of graduate student and university faculty. The outcome of this relentless effort has been published by LAMBERT Academic Publishing with an ISBN 978-3-8443-1277-5 and as entitled *Development of Business Organization and Accounting – Historical Simultaneity and Congruity*. The size of this work is 86 pages (ixp. + 77p.).

Khondaker Rahman deserves my whole hearted admiration for his hard work over so many years which have made this research book a reality in the competitive world of academic publication. As it excels in publishing degree-dissertation and other scholarly works, LAMBERT also deserves my admiration for its thoughtfulness in publishing this book. This article reviews the contents of this book, examines its academic contributions, highlights on its drawback, and provides suggestions and new outlooks for further research by the author.

2 ORGANIZATION AND CONTENTS

This book is composed of seven chapters, and it examines the historical simultaneity and congruity between the development of business organization and accounting. The contents have been organized as follows.
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ACKNOWLEDGEMENT

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Abbreviations
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The core thesis of this book/research is that bookkeeping / accounting practices developed in responses to the needs of various forms of business organizations, namely proprietorship, partnership, and joint stock companies, and there exists simultaneity and congruity between the developments in both of the business organizations and accounting practices. Throughout the book, the author endeavors to establish this proposition with numerous examples.

Composed of eight chapters, this work studies the interrelation between business organizations and accounting practices. Chapter I introduces the research question and its background, research objectives and methods, and the structure of the book. Most importantly it argues why the author resorts to pragmatic research method and relies on secondary and archival sources. Chapter II captures the development of economic organizations and accounting practices in Europe before the birth of Jesus Christ. Chapter III describes the development of partnership, partnership credit business, and agency organization since Jesus Christ up to Luca Pacioli, the father of modern double entry bookkeeping. Chapter IV outlines the picture of development in bookkeeping and accounting tools and techniques by Luca Pacioli and many other scholars, authors, and practitioners from 1500-1750. This chapter also outlines developments in England; Europe, colonies of European countries, when massive developments took place in estate, factor, and other categories of partnership business. Chapter V gives a detailed view of developments during and in the aftermath of industrial revolution up to the 20th century. Most prominent development this age was the invention of joint-stock company organization, which eventually gave birth to many accounting tools and techniques due the separation of business and ownership, perpetual succession of the business entity, possibility of huge investment in bulk business, and the consequent need of accounts keeping, reporting, auditing, and transparency. Almost all branches
of accounting developed and attained solid foundation during this time. Chapter VI examines the development in the first-half of the 20th century. World Wars and consequent economic depression and/or inflation, development of the national and international accounting profession, cross-border direct investment, intervention of the governmental and international bodies to consolidate, regularize, and coordinate business activities added new dimensions on all existing accounting practices and led to the development of new practices. Chapter VII gives an account of the developments that were concurrent in the 1960s-1980s. As earmarked in this chapter, introduction of compulsory supplementary accounting statements, disclosure of accounting facts, cost audit and management, mechanization of accounting, MIS, integrated accounting, international accounting, etc. are all critical developments of this time. Chapter VIII makes a brief summary of the whole research with remarks on the foreseeable continuity and change in both business organization and accounting.

Throughout this work, the author has endeavored to establish an ontological linkage between the development of accounting tools and principles and forms of business organizations. With substantial amount of facts and references, he argues that a strong simultaneity and congruity exits between the development of the two phenomena, namely business organization and accounting. After examining about 6,000 years of interrelationship between the developments of accounting practices and the transformation of the business organization, the author convincingly argues that the period before the birth of Christ can be considered as formative stage, the medieval age as a period of preparation for take-off stage, the period of industrial revolution as the stage of take-off, and the period in the twentieth century as the maturity stage of accounting. This argument resembles very much to the stages theory of economic growth of Walt Whitman Rostow (1916-2003).

3 ACADEMIC CONTRIBUTION OF THIS BOOK

Khondaker Rahman has been conducting research on this topic since 1982. Perhaps this is the second known research work exclusively devoted to exploring the relationship between development of accounting discipline (practices and theories) and business organization after Noble in 1927 (see, “The relation of business organization to accounting” in The Accounting Review, Vol. 2, No.3, pp. 232-236). Certainly, this is a new contribution to the study and research of accounting history and thought. The author deserves admiration for his thoughtfulness in working on this topic. As the topic was so far unaddressed in research, this book therefore fills up a big vacuum and creates a new field for further study.

This research starts with the assumption that the academic and professional discipline of accounting, its branches, and its various theories, tools, principles, and practices have developed in order to fulfill the historical needs of different patterns of business organizations. From time to time multiple demands have been placed on accounting for record keeping, measuring business/managerial performance, and reporting business position. Business organizations have been found to rotate around three main ownership patterns, namely single/family proprietorship, partnership, and joint stock companies. These ownership forms, however, have many postures in different parts of the world. Pre-historic economic activities were con-
centrated in the primary sector of agricultural farm house and farming estates under personal and family ownership. Almost all ancient human organizations, such as, the monastery, church, charitable institutions, feudal and governmental organizations had gradually developed and practiced some type of record keeping techniques of their possessions, contributions to and from members and lords, incomes, expenditures, and so on. This book argues that even the most primitive accounting activities were intended to fulfill the needs of these organizations and their beneficiaries through reporting by their caretakers and managers on resources and properties kept and used under their custody.

Ancient business activities had adopted and applied improved methods and management forms as demands multiplied and the means of communication and transportation developed bringing goods, services, and people closer. Geographical concentration of means of production and movement of merchandise through land, water, and air routes prospered. Modern and advanced business organizations of partnerships and joint stock companies in manifold styles flourished in all business and economic activities and encompassed all known fields and domains in primary, secondary, and tertiary sectors all over the world. This research argues that of all the developments in all ages, the developments during and aftermath of the industrial revolution in the 19th century was the most influential in raising the status of bookkeeping to accounting, the occupation of bookkeeper to a prestigious profession of an accountant, and the subject of accounting to a most demanding theoretical and applied academic discipline of accountancy.

As revealed in this book, all pre-modern, modern, and post-modern business activities are being organized under joint-stock type business organizations, where concepts of business entity, perpetual succession, business continuity, accounting period, minority interest, realization, historical cost, management agency, etc. have given tremendous impetus for the development of new accounting tools, techniques, and theories. Branches of accounting, especially financial accounting, cost accounting, management accounting, auditing, tax accounting, inflation accounting, and public accounting have developed in order to satisfy growing needs of management and other users. Accounting has received and/or adopted knowledge from other academic disciplines, especially Economics, Social Sciences, Management, Operation Researches, and Computer Sciences, all of which have added new dynamics to it. This interdependence on other disciplines has fetched much acceptance and recognition for it as an academic and practical discipline. The author profoundly confesses that the unification of practices under the auspices of international accounting, auditing, and reporting standards have achieved much global importance for the profession and practice of accounting.

4 SOME CRITIQUES

Throughout this book, the author has argued on the simultaneity and congruity of developments between business organizations and accounting practices. Although it is implicit that he argues on the developments in accounting practices in connection with the individual business firm, partnership, venture business, and joint-stock company, however, he does not give any definition of business organization nor does he explain different categories of business organizations. Furthermore, he does not examine accounting practices that are performed by
different business organizations at the present
time as part of management requirement, legal
obligation, and taxation requirement.

Apart from the above, this research covers
the development in business organizations and
accounting until the first half of the 1980s.
Internationalization of investment, intra-firm
trade and business, regional, intercontinental,
and global trade blocs, bilateral, multilateral
and international trade treaties under the aus-
pices of International Monetary Fund (IMF),
World Trade Organization (WTO), and United
Nations Conference on Trade and Develop-
ment (UNCTAD), intra-nation trade frictions,
mergers and acquisitions, off-shore financing
integration, cross-national strategic alliances –
all of which are developments since the 1980s
and impacting upon business organizations
and management. Financial scandals involving
Enron in the USA and Oxley-Sarbanes Act in its
aftermath have brought a new agenda for corpo-
rate governance, control, accounting, financial
reporting, auditing, and auditors’ liabilities to
a new focus. Consequently, global harmoniza-
tion of accounting standards and practices has
achieved further momentum.

The collapse of Lehman Brothers of USA in
November 2008 and consequent financial crisis
all over the developed and developing coun-
tries have raised concerns for transparency of
accounting facts and government control and
surveillance. Historical currency control by
the government has heightened the need for
translating financial statements and accuracy
of consolidated statements in multinational
corporations and other companies that operate
cross-border business. More recent financial
and banking crisis in Europe Union (EU) and
its aftermath on global economy, interest-rate
maneuver in developed and developing nations,
and tempering with the monetary system in
the BRICs might bring more changes within
business organizations and accounting and its
various branches. Perhaps the author needs to
refurbish his research on a constant and con-
tinuous basis.

5 CONCLUDING REMARKS

This piece of work is highly appreciated as
a robust attempt in linking the coincidences
and compatibility of all developments in book-
keeping and accounting practices with the
progress in business organizations. Through the
articulation and establishment of relationships
between the developments in accounting vis-à-
vis the developments in business organizations,
it has added meticulous knowledge to the exist-
ing knowledge in this field. Surely, the author
was (is) quite aware of the facts mentioned in
the critique above. As a reviewer of this book, I
envisage further research from this author cov-
ering the issues articulated above. Business orga-
nizations, especially all big business companies,
nowadays operate as “going concerns” and, as
such, encounter numerous new problems and
circumstances that need appropriate actions in
accounting practices. Such changes obviously
receive posthumous treatments in accounting
research by any author. As such, the above criti-
cisms do not diminish the academic value of this
book at all. Perhaps the author need to cover
the areas that have been considered unattended
in this book in his future research.