

Origin, Evolution, Up-to-Dateness of Accountancy Principles

Meanings in Italy

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Abstract: The need of having a rich document source and the consequent necessity of having suitable regulations relevant to the operating and spreading procedures of complex and heterogeneous accounting information, has drawn more and more the attention of enterprises and other categories interested in the enterprise events, over the different periods and historical contexts. If we take into account the different evolution phases of accounting information application procedures, we understand how these have changed from typically quantitative information, obtained through periodical statement, mostly valid for internal purposes, into the current need of providing a reliable, neutral and checkable information, addressed towards external purposes of the enterprise. The present work intends to express some considerations about the structural company evolution, as well as the different professional and legal interventions which have been carried out by academic, vocational and legislative organisations, aiming at providing the accountant practitioner with the proper tools able to favour the real application needs, in terms of acknowledgement, valuation and reproduction of enterprise events. Real ethical codes of self-regulation have been drawn up and put at the experts' disposal in connection with the changing information needs. In particular, the first part of the following work deals with the historical origins of accounting principles and the second one deals with their conceiving.

Key words: accounting history; accounting principles; accounting information system evolution

JEL codes: M40, M41

1. Introduction

Though the complexity of bookkeeping and statements is based upon logical and rational procedures, it has requested, at all times, more and more competence and skill as regards the difficult company management problems.

During the structural company evolution, different professional and legal interventions have been carried out by academic, vocational and legislative organisations, aiming at providing the accountant practitioner with the proper tools able to favour the real application needs in terms of acknowledgement, valuation and reproduction of enterprise events.

Real *ethical codes of self-regulation* have been drawn up and put at the experts' disposal in connection with the changing information needs (Frattini, 1997).

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The research methodology applied in this work is based on the theoretical positions of deductive nature (Vicari, 1992).

Specifically, the present research, starting from the analysis of the context defined, describes and explains the process of formulation of the accounting principles and of the related financial information (Ferraris, Franceschi, 1978).

In particular, through the application of above mentioned methodology, the work intended to observe the historical process of formation of accounting standards and the related balance sheet model, in order to identify their primary content, as well as the development and dissemination of their application in commercial practice.

Respect to the national and international literature on the topic, the originality of this paper lies in the attempt to interpret and justify each theorizing, referring it to the relevant context (defined in space and time) in which it was stated.

The present work has been divided into two sections: in the first one the historical origin of accounting principles has been described; the second section deals with their conceiving.

2. Origins and Evolution of Accounting Principles, Such As Propaedeutic and Primary Tools of the Accounting Profession

To better understand the function of support to accounting information drawn up by the accountant practitioner, we deem necessary to dwell upon the professional figures which have diffused over the different periods, by stressing the relevant production of reference principles of general acceptance, drawn up by the professional practice and habit (Viganò, 1999; Di Cagno, 1999).

In other words, we want to stress that such tools already existed in ancient times, with the same meaning and role (Onesti, 1995; Potito, 1973; Provasoli & Viganò, 1995).

In the ancient times many figures of accountants co-operated to the development of the *accounting art* (Amodeo, 1970). The above mentioned figures, considered as skilled people, practiced their profession with due discretion and with a certain interpretative and decisional autonomy. This was due to the trust and particular consideration they were given by their clients (De Sarno, 1999).

Subsequently, the company economy evolution influenced the drawing up of determination principles which have turned from simple support to the accounting transactions, into complementary, integrative and proposal documents to laws issued for trade regulation.

The first accounting principles date back to the age of cave-dwellers and pile-dwellings. They concerned the *calculation* procedures that our ancient forefathers used to adopt in order to verify their property chiefly made of animals (goats, sheep, cows etc.).

In fact, it's certain that the habit of marking down, also through simple conventional symbols portraying objects and subjects (mainly animals) has spread out since the birth of the first economical activities, when the necessity to follow the business trend, to calculate one's estate and compare it in time was particularly felt (Melis, 1950; Bariola, 1988; Turco, 1999).

In fact, one of the first inscriptions, dating back to 3200 before Christ was found out in southern Mesopotamia in an area belonging to the numbers people. It was *Uruk's* calculation, portraying various objects through symbols carved on a clay table, aiming at recording all business transactions carried out (Fesmire, 1967).

Historians have observed in these clay tables the presence of accounts, statement of accounts, inventories

because the *ancient bookkeeper* used to have many trade relations. The technique used was a wet clay table upon which script signs were carved by means of a stylus tip. This technique, different from the ink technique used afterwards, enables the storage of accounting documents without fading risk (Masi, 1964; Durant, 1996).

Only with the birth of big empires, the accounting profession gained an important role which started its evolution according to the development of human civilization and individual associations.

In order to reach economical and social goals, a management-like accounting form diffused. Its purpose was the compilation of account books, the control of revenue and expenditures and an accurate recording of entries.

The beginners of this practice, dating back to 2000 before Christ, were the Chinese (Kaur & Batra, 1994).

Then in Egypt, with the birth of the rich Egyptian civilization, and later on, with the Phoenician empire, the symbolic figure of the *ancient accountant* diffused.

The first real accountant figure was the *scriba contabile o camerario*. In Egypt the importance and power given to scribes were such that Pharaohs assigned them the most important tasks such as that of minister.¹

They were mostly priests who used to record in writing, through long and analytical stock-taking, the monarch's estate (ordinary estate and jewelry), confiscated and exchanged properties (Melis, 1950). We can observe in their function the first principles of accounting practice which has contributed somehow to the diffusion and formation of accounting principles (Masi, 1963).

From what has been said so far, we understand that the accountant profession developed because of administration needs in the public field.

The above statement is confirmed by the fact that also in Europe, under the Hellenic domination, (454-406 before Christ), the public administration used to record the administration entries (Ferraris Franceschi, 1994).

In fact, the Greeks provided a great contribution to the accounting evolution, by developing a public accounting and an accounting for trade companies.

For fiscal reasons, the Hellenic people imposed to merchants the use of particular accounting records such as documents proving the business dealing carried out (Turco, 1999). The business dealings were so numerous that the first sea trade code was issued, even if approximate.

Actually, we can find an official accounting system under the Romans.

The accounting records, still unbinding, because of their feature of simple annotation of occurred events, had a certain contract value and a certain power in the regulation of trade disputes.

In order to guarantee the legal validity, the accounting records (papyri and parchments) became subject to numeration and signature (Bariola, 1988).

This first legal accounting system regulated negotiations carried out and future engagements undertaken. It served accountants to demonstrate that the administration accounting had been accomplished (Castagnoli, 1985; Melis, 1950; Paolone & D'Amico, 1994; Serra, 1992).

Particular attention is given by accounting principles to the technical aspects of accounting entries because of their economical validity. Particularly important were also the descriptive aspects of accounting transactions. In fact, accounting entries described and recorded all company events.

The principles making an analysis of enterprise management aspects were completely non-existent because

¹ What has been above said is confirmed by sculpture findings, witnessing their importance in that period through the representation of the scribe image. In fact, "Kai's" statue was found out in Sakkara, representing the crouched scribe, almost completely naked, with one pen in one hand and one behind his ear. This statue, carried out by an unknown sculptor, dates back to the 5th Pharaohs dynasty and can be found in Paris Louvre Museum.

of discontinuous accounting entries which enabled only the analysis and control of isolated events.

The only descriptions of management aspects were the interpretation and representation, in terms of value, of equivalence ratios among heterogeneous quantities which were recorded on recapitulation documents together with qualitative information (Masi, 1963).

Because of the very few documents found out, it hasn't been possible to understand if profits and losses were recorded as well, but we are sure that a synthesis was drawn up as a final result.

Considering the industrial and trade activities development, it's difficult not to note the quick evolution of accountancy at the age of Romans, in terms of interpreting methodologies, evaluation and representation (Masi, 1963; Melis, 1950; Ferraris Franceschi, 1994).

On this purpose, we assisted to the definite consecration of the accounting profession. In fact, the Roman State acknowledged real officials who were charged with particular tasks, mainly in the public sector, such as calculation, record and control. They were called *rationatores*, rational, from the Latin word *ratio*, and represented the new intellectual capacity of interpreting economical events. They used to accomplish all the different business operations, calculations, recording and so on.

The accounting profession developed not only in the Roman age but in the Middle Ages as well, in the public field where it was given high consideration.

Afterwards, after the first millennium after Christ birth, the new economical and social development lead to the diffused presence of the accountant in the private sector of commercial activities as well.

However, study and research activities took place during monastic activities in monasteries and abbeys, and lead to the diffusion of new accounting entries and the creation of easy operation processes.

The need to work according to *divini precetti*² was particularly felt in the religious world because of complex and numerous operations. In fact, the ethical and moral origins of accounting principles have been observed just in clergy documentation (Di Toro, 1991).

Leonardo Fibonacci gave a great contribution to accounting studies. He brought all over the Western Countries the Indian and Arabic numbers and drew up, under an advise form, the first written accounting principles.

The Author, while looking after sea exchanges, dictates some practical rules concerning accounting entries in order to ease and stress the cost factors of a ship.

On this purpose, we cite a sentence of his work, *Liber Abaci* (1202): *cum autem, secundum prescriptem iunctionis doctrinos numeros adhibet quis scriverit et voluerit colligere summos ex pensarum navium et similium in genibus continentur libre et solidi et denari* (Antoni, 1984/85).

In another passage of his work he points out all those rules which simplify records and lists a series of practical rules relevant to accounting values and their sum. His suggestions concern the respect of values homogeneity and the need to describe economical events in the best possible way.

He says: *intende bene il camerario, o scribe, o annunciatore, quello che dicono le singole spese o contratti singoli di qualsiasi cosa e descriva nella tabu a lineate il prezzo d'ognuna di quelle cose, collocando le lire sotto le lire, i soldi sotto i soldi i denari sotto i denari delle spese, e di ognuna faccia con cautela; e allora fa bene quegli stessi che la spiegazione delle spese rinuncia abbreviare, acciochè per avventura non iscriv errori sul*

² The importance of such *precetti* was so great that they rose to a "divine" dignity, as witnessed by the expressions found in the introductions of the first medieval accounting texts.

registro. E corretta nel registro di descrizione delle spese unisca tutti denari e ne faccia soldi; tutti soldi e ne faccia lire; e così per ordine unisca le spese per pagina ed ad ogni pagina faccia la somma: dopo di che riporti nel registro le somme di tutte le pagine e ne faccia poi la somma di tutte le somme (Bariola, 1988).

Fibonacci has also the merit of having simplified trading transactions calculations and having revised accountancy by turning it into an ordered recording of accounts. Thus he was the creator of the new accountancy whose features were homogeneous accounting entries. He created the basis for the subsequent development of bookkeeping (Gabrovec Mei, 1990).

The social and economical changes in the XIII and XIV century led to some improvements in terms of rationality and clearness, and to the development of new techniques (Turco M., 1999).

Thanks to the diffusion of trading companies and to the birth of the first market production activities, the bent for accounting entries developed as an important support to a good enterprise management.

Within the framework of a company conceived as the pivot of legal relationships, accounting entries were not subject to any bounds or rules. They hadn't a precise form or constant features.

This was due to the lack of an institute which might co-ordinate and control companies. In fact the lack of regulations enabled the accounting transactions autonomy. Their form was different from one company to another while their substance was made of trade and bank calculation procedures with the aim of demonstrating credits and debits (Louis Lair, 1948).

The lack of common rules and the need to have ordered accounting entries pushed accountants to settle some standards for the regulation of transactions. Such regulations, even if different from one another, intended to regulate matters such as an account opening, the right name, the choice of account money.

In this last rule, that's to say the need to make money valuations homogeneous, in terms of account, we can note the first true common principle, generally accepted, diffused and adopted by accountants.

In Italy, the spreading of such rules was not remarkable for some decades, before the advent of town authorities who introduced regulations requesting the absolute obligation of accounting entries, their signature and initial stamping.

On this purpose, Genoa Municipality promoted the issue of suitable accounting public regulations, regulating the correct bookkeeping, the famous *Regulae Comperarum Capituli* (1327) which provided the obligation to record all transactions in chronological order, the obligation to leave no blank spaces among records and prevent erasures (De Leonardis, 1991).

In other European countries, the first wide specific legislation imposing the obligation of bookkeeping was issued in Spain in 1484, with the Law no. 67, called *Quaderno delle Gabelle*. Such a law was issued for fiscal reasons in order to prevent tax-evasion (Hernandez Esteve, 1998).

Later on in France a decree issued in 1673 imposed the obligation of bookkeeping. Such a decree was issued because of the numerous cases of bankruptcy recorded in that period which led to a feeling of mistrust. In fact Louis XIV approved the *Ordonnance de Commerce* which imposed the Book of entries, the inventory drawing up every two years and the storage of incoming and outgoing documentation (Zavelberg, 1968; Hernandez Esteve, 1985; Masi, 1997).

With the increasing accounting requirements, the bookkeeping tasks were assigned to skilled people (Cecchi, 1972).

To encourage the spreading of the accounting culture, Italian Municipalities established the first trading schools, the *Scuole d'Abaco*, which were attended by the children of noble families coming from all over Europe

(Burckhard, 1944).

Teaching methods of these schools relied upon particular practical manuals, mostly written by the same teachers or upon merchants' notebooks where business or bank problems were described. We remind the manual of *Regoluzze* (1340) of Paolo Dogamari, also called Paolo dell'Abaco (Sapori, 1946).

The lessons given in these schools as well as the regulations issued by the town bodies, concerned mathematics principles, trade ethics, regulations upon entries details, guarantees and conditions to be established in dealings conclusion.

The interest of the new public schools and that of teachers charged with the diffusion of the accounting culture, concerned the creation of a number of actions aiming at the spreading of a trustful feeling, a necessary feature in trading activities.

While the subject of the economic content of administration events was non-existent, the practice of *rendere il conto delle proprie ragioni* (Luchini, 1990) became widespread. It's the accurate and detailed statement of the existence of certain credit amounts.

Once again accounting entries play a social role, aiming at making trade safer and faster.

The interest of accountants who recorded credit ratios was mainly addressed to the drawing up of accounting record techniques through which they demonstrated in detail the accomplished transactions.

The problem of recording events through number expressions arose. In particular, at the beginning, a retrospective approach was employed in credit valuation, corresponding to the valuation method of the nominal value. Whenever a credit arose, credits and debits were recorded using the expressions *diedi al tale* and *ebbi dal tale*. Subsequently, with the necessity to know the future events and engagements, a perspective approach was employed. For credits, the expression *il tale deve dare* was used, while for debits the expression *il tale deve avere* was used. This demonstrated the merchants' need to know potential incomes and expenditures. So, the valuation criterion for credits and debits corresponded to the assumed potential value of cancellation of the credit/debit ratio.

At the same time as the perspective use of these calculations, another practice developed: the periodical drawing up of *i saldi delle ragioni*, in order to reach the result determination. Such a result arose from the drawing up of a statement after which they carried on with the difference between the potential money incomes and expenditures and the comparison of the balance with the capital (Ceccherelli, 1970).

In the decades after the middle of 300, with the diffusion of bookkeeping according to a precise accounting method such as the double entry, and with the need of determining the attained result in the best reliable way, the first common valuation principles developed.

One of the first experts of valuation methods who approached the double entry bookkeeping was Frà Luca Pacioli who in his *Summa de arithmetica, geometria, proportioni et proportionalità* (*Tractatus XI-De computis et scripturis*–Venice, 1494) makes some references to the valuation processes (Antinori & Hernandez Esteve, 1994; Antinori, 1994).

In the part describing the inventory and the final balance he deals with the capital valuation procedures. The attention he gave this problem was not much because he thought they were already widely known with respect to the new double entry accounting practice. This doesn't mean that he didn't acknowledge the priority of valuation upon recording (Basil Yamey, 1994).

We shall remind that at that time the accounting period result was obtained not through double entries but through an amendment process of the accounting balances which were adjusted to inventory values (Ceccherelli,

1970; Corsani, 1922).

During the final inventory drawing up, calculations were to be done as well as an estimate of each element relevant to assets and liabilities.

In particular, in the part dealing with the recording of inventory goods in the book of account, Pacioli proposes a current value valuation criterion (*prezzi di comun corso*), suggesting of *farlo grosso piuttosto che magro*. This suggestion concerns the estimate overvalue. He declares: *se ti pare che valgono 20, e tu di 24...Acciò che meglio ti abbia a reuscire el guadagno* (Moxter, 1984).

His suggestion looks like a clear invitation to water the company's capital. The reason of such a choice lies in the idea he has about bookkeeping, whose purpose was supposed to be the achievement of results necessary to make the suitable company's future decisions.³

In this view, the prudential criterion of historic cost was completely unexpected because the measuring of company's wealth, for internal use only, enabled a reliable situation of the potential monetary flow upon which the merchant could base his forthcoming choices.

The use of this criterion wasn't to be arbitrary, but aiming at the achievement of the best future management of trade. It wasn't a simple criterion aiming at the overvalue of capital assets to the damage of the owner himself. Everything was to aim at the achievement of an indicator (the final balance) of the company situation and the achievement of values necessary to know the business trend and to plan the administration decisions in the best way. The choice of current prices was consistent with the perspective function assigned by Pacioli to accountancy.⁴

The particular attention paid by the Friar of San Sepolcro to accounting problems and more generally to company problems, confirm how up of the XVI century in Italy the study and research activities took place almost only in monasteries and abbeys. The influence of religious factors upon the formation of accounting rules is particularly clear where the monastery principles result to be absorbed and considered as the basis for diligence, honesty, fairness, transparency and reliability of accounting entries (Catturi, 1994; Di Toro, 1991).

Pacioli's principles relevant to the inventory valuation criteria disagreed with the French *Jacques Savary's* principles, some decades after. *Jacques Savary*, the main author of the *Ordonnance de Commerce* proposed the prudential principle of the smaller value between historic cost and market value. In goods valuation he suggested three types of valuation:

- *the cost value, in a first analysis;*
- *the value taken from market prices trend, in case of reduction;*
- *the assumed sale price, excluding adjustments to those goods which cannot be easily sold* (Moxter, 1984; Schmalenbach, 1953).

Clearly, the Author's reasons were bound to the modified purpose of accounting entries. In France, in that period, as already mentioned, there were several failure cases. That's why it was necessary to establish safe rules aiming at the determination of the withdrawal income and quantify the maximum amount that the entrepreneur could take from the company's capital, without compromising the requirements of the third creditors.

³ We remind that in that period companies had a jobbing production. The production for the market was still non-existent. Thus, sales prices were applied because of the sure product sale.

⁴ Pacioli considered accountancy as useful for companies and preceded of five centuries American experts who believed in the decisional usefulness of the accounting information system. On this matter see American Accounting Association, *Statement Accounting Theory and Theory Acceptance*, 1977, pp. 10-15.

In France a *legalistic* concept of accounting developed and subsequently found its utmost expression in the theory of the so called five-counters of Degranges (Gabrovec Mei, 1999).

Accountancy turned from an internal information means for the merchant, into an external information means for creditors, investors, vendors etc..

This new opinion of accountancy social function, together with the discovery of the importance of the economical aspect as well as the acknowledgement of the *value nature*, spread out over many other European Countries, including Italy.

The size increase of trade organizations and the establishment of enterprises as independent and single entities, as well as the diffusion of trade companies in the XIX century, led to application and strengthening of the *verifiability principle*, which relied upon the valuation criterion of the *historic cost*.

The need to prove the truthfulness of certain values and to provide interested people with suitable information, encouraged the development of new theories concerning the accounting techniques of *value* counts, which share the common principle of the appreciation of company's estate value.

In Italy, a great number of theories developed. Among the most significant ones, we remind Cerboni's (XIX century) theory, Besta's estate theory (end of XIX and beginning of XX century), Zappa's income theory (XX century) (Catturi, 1989; Giannessi, 1980).

At the same time as the development of these theories, which contributed to the formation of some professions such as the accountant one, there was the diffusion, like in other European countries, of the *modern* professionals who were charged with strictly economical and accounting tasks.

From the very beginning of their diffusion, their main tasks were helping company managers in their decisions and supporting companies in the accounting administration.

Each European Country had a number of different and independent regulations whose aim was the profession regulation and the selection of technically skilled people.

Many professional figures developed and were legally acknowledged by the various existing public bodies,⁵ while in Italy, the figure of the bookkeeper and the professional accountant was diffused.

Without making a thorough analysis, we can state that the professional image of the accountant turned from the profession of scribe and bookkeeper, into managerial consultant of company's decisions and information.

In conclusion, it has been observed that, according to different contexts, the acknowledgement of this figure has been supported by accounting standards, rules collections and professional deontological criteria, with a binding feature, that's to say the accounting principles.

⁵ In Italy, the first professionals who were legally acknowledged were i *Rasonati* from Venice, acknowledged by the Republic Ten Councillors, with the Decree of December 1581, in order to provide the Government with skilled clerks. Other professional figures acknowledged in Italy were the *regi liquidatori* in Liguria and Piedmont, established by Charles Emmanuel I of Savoy with the Decree of 30 March 1620, the *Rasonati* of Milan Dukedom in 1742. The Ragionati Committee in Milan was founded by the professionals class (unlike Venice where it was founded by the Government) with the purpose of providing the poor with the bookkeeper's free service.

In Milan the diffusion of the Ragionati Committee came 161 years later with respect to Venice, because of the Spanish domination (1535) which slowed down the industrial, commercial and agricultural development.

In the Sicily Kingdom this job was practised by skilled people, independently of titles or culture. Only for legal activities a public control was carried out according to the Decree of 2 November 1835 no. 3107. The same thing happened in the Pope State where even accounting entries were to be performed by professionals belonging to the list of approved bookkeepers (Regulation of Pope Gregory XVI of 6 July 1836).

The Italian political division and therefore the different regional provisions hampered the spreading of modern and independent accountant figures. Only in 1861, with the unity of Italy, the accountant profession diffused and was legally acknowledged all over the Italian peninsula.

3. Meaning of Accounting Principles in the Current Economical and Business Context

In this chapter we will describe the different origins of accounting principles, and in particular the legal, professional and doctrinal origin (Gabrovec Mei, 1985).

The accounting principles with a legal origin, consist of legal provisions (civil, tributary etc.).

On the contrary, the accounting principles of professional nature derive from formal transactions performed by institutes representing the economical and accounting professions. These transactions are recorded in official collections whose application value may be binding or not, according to reference contexts.

The accounting principles of doctrinal nature represent the consolidated transactions of bookkeeping science. They don't necessarily concretise into codes and collections, but are derived, developed and issued by means of study and research activities performed at scientific level (Polonelli, 1981; Bruni, 1991; Coda, 1983).

There is no doubt, in fact, that the accounting principles derive from the business economy's own principles (Fanni & Cossar, 1994).

If we focus our interest on accounting matters, we understand that the business theory has always mentioned the need to get a reference conceptual outline in order to cancel in accounting matters "the acceptable behaviour, by reducing the natural conflict and rise of probable future disputes". This facilitates the accounting solution of transactions, which, even if not defined, shall fall within the existent outline (Onesti, 1995).

This theory, inspired to a deductive logic, whose criteria ensure the necessary logical consistence between the final balance and valuation criteria, reflects in an advanced form, the trends already acknowledged along time before by the consolidated national and international bookkeeping doctrine.

Thus, it's possible to make two distinctions: general and universal rules, called postulates, defining the reference conceptual situation within the range of which they used to operate, in order to achieve suitable balance data; and particular principles consisting of practical accounting transactions, which, because of their transformation features in time and space, and in connection with the social and economical evolution, are similar to operating tools for the respect of postulates (Dezzani, 1975).

On this purpose we shall clarify that the expression "accounting principles" should concern only particular application standards; on the contrary, postulates represent general principles revealing their empirical effects through the particular application criteria (Mazza, 1989).

Independently of terminology matters, we deem that the origin of such concepts is connected with "art rules" and with studies of the most advanced bookkeeping doctrine.

Hence, the accounting principles of legal nature represent the acceptance by the legislator of business theory formulation (Polonelli, 1981).

In the same way the accounting principles of professional nature represent an empirical process of practical translation of bookkeeping principles.

Nevertheless, it's necessary to say that the "good accounting rules" of enterprise doctrine have no contents to be codified in legal texts or in professional accounting principles. On the contrary they represent their "inspiration" source. In reality, we want to state that, according to each case, legal standards or accounting principles of professional nature, sum up the sound bookkeeping principles, which are the basis of rules contents.

On this matter, the same doctrine has already pointed out that the formalization of bookkeeping principles is necessary because the final formulations of principles refer to real applications; thus, the accounting principles issued shall represent empirical suggestions and favour practical needs (Amodeo, 1981; Coda, 1983).

After the analysis of the accounting principles differences from a scientifically, legal and pragmatic point of view, we carry on with an analysis of the development processes of accounting principles which result to be different in the different countries.

In conclusion, the current system has two main typologies of approach: legal and professional.

According to the legal approach system, typical of Continental European Countries, the law shall regulate the balance transaction, by providing analytical regulations, which, in some countries like Germany, leave a wide space to the issuing of tax regulations. In such situations (in France and in Italy) the role and function of the accounting principles are only a supplement to legal regulations because they don't enjoy much consideration.

The professional approach, of Anglo-Saxon origin, looks much more flexible and requires, on the contrary, an adequate process of accounting principles issuing, which shall be assigned to independent professional institutes. These principles have a *general acceptance* feature (in terms of authority of the issuing source, validity of doctrinal principles, harmonization with international accounting principles etc.) (Amodeo, 1970; Bastia, 1990; Bruni, 1985). The professional approach fills the gap left by the lack of suitable legal regulations.

It's clear that between the two opposite approaches (legal and professional principles), the second one enjoys more consideration and results to be a direct function of analytical legal standards. In other words the role of professional accounting principles results to be inversely proportional to the thoroughness of legal provisions (Rinaldi, 1985).

Thus, every excess of both approaches has negative effects, because both the extreme importance given to the role of professional institutes in the establishment of accounting rules, and the pretension of codifying the same rules under strict legal standards, can give rise to negative effects.

In conclusion, there were some cases as in the Unites States, where the application of accounting principles followed the inductive methods, where the lack of a co-ordination system gave rise to an extreme complexity and analyticity of principles and made them often contradictory and without an organic basis of accounting rationality (D'Ippolito, 1975; Onida, 1974; Viganò, 1975).

The legal approach has also been disapproved, in cases where balance standards are fully established by the Law. The above disapproval is due to the fact that legal standards are too strict and don't allow a suitable valuation of events occurring in the different enterprise sectors (Cassandro, 1985; Onida, 1974; Viganò, 1975; Di Cagno, 1999).

Anyway, the role of accounting principles is important, not only because they support the accountant in balance drawing up but because they replace the unfair balance policies.

In conclusion, the relationship between legal and technical regulations of professional origin turns into a good and useful integration between legal standards and technical principles, transformed by the consolidated habits and consistent with doctrine principles. We shall point out the different benefits: within space, because of the technical standards flexibility and suitability to the changing enterprise situations; benefits in time, because of accounting principles interpretative capacity with respect to legal standards strictness (Di Cagno, 1995; Superti, Furga, 1991).

4. Conclusions

The awareness of having a rich document source and the consequent necessity of having suitable regulations relevant to the operating and spreading procedures of complex and heterogeneous accounting information has

drawn more and more the attention of enterprises and other categories over the different periods and historical contexts (Amaduzzi, 1949).

The knowledge of the enterprise phenomenon, in its polyhedral conformation, becomes a problem of utmost importance for those who are connected with it. Such a knowledge has always been considered as propaedeutic to any enterprise decision.

Taking into account the different evolution phases of accounting information application procedures, the present work has revealed how these have changed from typically quantitative information, obtained through periodical statement, mostly valid for internal purposes, into the current need of providing a reliable, neutral and checkable information, addressed towards external purposes of the enterprise (Cassandro, 1979).

These are the two different forms of accounting information evolution in the course of time.

The accounting information facing the inside, is characterized by the lack of clear and analytical rules, which have certainly favoured the revenues stabilisation policy at the expense of a *faithful situation*.

The external accounting information, on the contrary, is based on the application of strict and uniform rules which have regulated the drawing up of periodical statements, their classification and valuation (Di Cagno, 1999; Viganò, 1996).

The reference principles concerning the two opposite procedures of company's information reproduction, as well as the relevant legal standards, have been strictly connected with the different patterns of company management which have spread out in the economical and environmental tissue (Bruni, 1990; Guatri & Vicari, 1974). In fact, there is a close connection between the accounting information trend and the company management pattern (Viganò, 1991; Turco, 1999).

In other words, while in companies with a patronal organisation the need of having information able to favour the proper companies decisions has prevailed upon the need of information completeness, in those companies with a shareholding organisation, the need of transparency and the search for reliable information, has enabled the adoption of strict principles as well as uniform and conventional trends.⁶

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⁶ The Accounting Principles Committee of Business Accountants and Bookkeepers defines the accounting principles such as type of determination, valuation, calculation and balance statement of balance transactions. Furthermore, the accounting principles coincide with those "principles supporting the most advanced accounting doctrine and the administration experts so to become generally accepted". See C.N.D.C.-R., Principio Contabile, document no.11, *Il Bilancio di esercizio. Finalità e postulati*, Giuffrè, Milan, 1994, p. 12.

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