ACCOUNTING: HISTORY AND THE PRESENT

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Summary: 1.Introduction; 2.Categories and principles of accounting; 3.Elements of accounting method. Accounts and dual recording; 4.Documentation; 5.Balance sheet; 6.Organizational elements of accounting system. Control functions; 7.Conclusion.

Abstract

Accounting system includes such elements as: category and principles of accounting, accounting method and its elements (methodology), accounting objects, organization of accounting.

The origin of basic elements of accounting system started 6000 years ago. Currently it singled out 5 stages of accounting system's development and evolution.

It seems to be interesting to analyze how modification and development of basic accounting system's components were going on from naturalistic stage to modern one.

The actual research is something more than just a history excursus, because in our opinion it provides the opportunity to explain tendencies of accounting system development and even not on the level of a single country but within the international community.

Keywords: accounting, stages of accounting system's evolution, history of accounting, elements of accounting method, categories and principles of accounting

Subject: HA – history of accounting

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Methodology: comparative analysis

1. Introduction

Accounting system includes such elements as: categories and principles of accounting, accounting method and its elements, objects and organization of management function considered.

The origin of basic elements of accounting system started 6000 years ago. Currently it is singled out 5 stages of accounting system's evolution: naturalistic (4000-500 B.C.), value based (500 B.C. – 1300 year), double-entry (1300-1850), theoretically (scientifically) practical (1850-1950), modern (since 1950 year).

Modern period of accounting is characterized with:

1. Design of International Financial Reporting Standards (IFRS) and their development on the base of domestic accounting systems;
2. Development of accounting principles, a focus of accounting and reporting information on necessities of its users;
3. Establishment and development of management and tax accounting;
4. Formation of cost calculation theory and methods of calculation of:
    a) full cost,
    b) truncated cost (direct-costing),
    c) standard-cost,
    d) cost according to cost centers, responsibility centers, management functions.

It is necessary to notice, that in 1973 it was created IFRS Committee; in 1978 according to IV directive of European Economic Community European accounting standards were adopted; in 1981 the Advisory Panel in IFRS Committee emerged. In Russia in 1998 it was accepted the Program for accounting system reformation in consistence with IFRS; in 2004 Conception of accounting and reporting system's development on the middle-run prospect was approved.

It is sure to be interesting to analyze a modification process of basic accounting system's components from naturalistic stage to modern one.

2. Categories and principles of accounting

Categories and principles cover the most important concepts and initial aspects of theory, studies, science. Formation of the categories and principles characterizing the origin of accounting science refers to the middle of XIX century. Francesco Villa – the founder of Lombard school – is considered to be the father of this science. According to Mr. Villa in order for bookkeeping to reach the level of science it should research its categories and principles. In accordance with Luca Pacioli (double-entry stage) accounting system is based on the following principles: procedurality principle (strict succession of registration and generalization of accounting events), clarity of information for users (firstly for owner), principle of firms' and owners' assets unity, double-entry principle (representation of each accounting event in two accounts), principle of revenues and expenditures correspondence, principle of relative but not absolutely reliable accounting data. Accounting principles are also described in papers of Cerboni Giuseppe (Toscana school) and D'Alviso Pietro (Venice school) (Lupikova, 2006; Sokolov J. Sokolov V., 2004).

In a modern literature such terms as requirements, methods, conceptions and others are used as synonyms for "principle". On the base of categories and principles business unities must exercise accounting and reporting. It is necessary to notice that in Russian bookkeeping and reporting system principles are called assumptions, which are used for account policy formation.

In our days according to international accounting and reporting standards the following fundamental principles are singled out: going concern concept, principle of accrual basis, principle of consistency of accounting policies (IAS 1). Russian statutory acts contain such assumptions as: property isolation, going concern concept, assumption of time certainty of accounting events, consistency of accounting policy. In addition in special literature it is called such principles as: objectiveness, monetary measurement, discretion (conservatism, prudence), periodicity (reporting period), privacy and documentary support. It is essential to de-

fine requirements not only for bookkeeping but also for accounting data. These are: appropriateness, significance (materiality), reliability, truthfulness, substance over form, neutrality, circumspection, completeness, comparability, timeliness and others.

3. Elements of accounting method. Accounts and dual recording.

Elements of accounting method comprise: documentation, inventory, accounts, dual recording, pecuniary valuation, calculation, balance sheet and accounting statements. Let us consider the historic development of such elements of accounting method as accounts, dual recording, documentation and balance sheet in details.

The set of accounts is used for systematization (grouping, classification) of data coming to bookkeeping through primary observation (documentation and inventory), monetary measurement and calculation. Dual recording is used in order to reflect the information about objects of bookkeeping on accounts: every accounting event is written in two accounts in equal sum.

In a modern interpretation account is a way of economic grouping and current record of companies' funds which are homogeneous by economic content, sources, economic processes and financial results. Each type of assets and each type of financial sources corresponds to a certain individual account.

Accounts' prototype appeared in naturalistic and value based periods. That time material accounts and settlement accounts were already used. According to Luca Pacioli accounts are "persons". It means the personal assignment of any account to each object of assets and their sources of finance. Pacioli explained the destination of every account, represented a set of accounts in a system which forms a card of accounts and allows to reflect every economic event.

Besides L. Pacioli the first accounts classifications were proposed by Italians – D. Manzoni and L. Flori. D. Manzoni (1540) divided all accounts into two groups: "alive" (settlements with individual persons and juridical persons) and "dead" (material and money wealth). This classification remained until XX century with the name of personal and material accounts. L. Flori (1636) divided all accounts into 4 groups: capital ac-

counts, nominal (operational) accounts, trade (material) accounts and settlement accounts (Lupikova, 2006; Sokolov J. Sokolov V., 2004; Tsuji A., Garener P., 1995).

In American form of bookkeeping Edmond Degrange singled out five accounts: cash, goods, losses and profits, documents to get, documents to pay. The first three accounts are general and reflect inside turnover, the last two accounts are classified as special, designed for outside turnover fixation. Also three additional accounts were provided: capital, introductory balance and final balance (Previts, Merino,1979).

Johann F. Schar (the representative of German bookkeeping school) divided accounts into two groups according to balance equation: Assets – Liabilities = Capital. All accounts from the left side of the equation are treated as property accounts, from the right side - as capital accounts. Property accounts in their turn were divided in pure and mixed accounts. According to Schar mixed accounts are inventory accounts which also reflect the results of business transactions. Inside the capital accounts Schar marked out the accounts for equity capital and financial results. Besides balance accounts Schar also used off-balance accounts which he called introductory accounts (Schar, 1925).

Schar has formulated requirements to the card of accounts:

- The card of accounts should be pervasive, complete, in order for all parts of assets or liabilities to be controlled by corresponding accounts;
- Grouping of accounts should be provided according to the merits of case in order to observe single economic processes and to control their influence on property state and capital formation;
- The card of accounts should correctly and in accordance with law represent juridical structure of property;
- The structure of property accounts should be built in correspondence with material categories, economic processes and liquidity;
- The card of accounts should make real the possibility of further separation or simplification and reduction;
- It should be impossible to obscure or hide reality by aggregation of parts which have nothing in common.

It is necessary to notice that in our opinion Schar's requirements to the card of accounts are currently acute.

Dual recording appeared in trade or possibly in Italian banks. The motherland of dual recording is regarded to be Florence and Venice.

Reflection of interconnections of accounting objects while performing business transactions and processes is implemented by dual recording on accounts. Every business transaction according to its economic nature influences at least 2 accounting objects and is fixed simultaneously in debit of one account and credit of another in equal sum. Thus accounts are accumulating the data about business transactions which are accepted to bookkeeping. In result the composition and value of company's assets and liabilities are changing.

In 1494 Luca Pacioli published the book "Everything about Arithmetic, Geometry, and Proportions" where he recited rules of double-entry book-keeping. After the book publication dual recording became a public domain, an instrument for reflection the business operations and calculation of financial indicators.

It was such a perfect fit for a long unfulfilled business need that it was like giving water to the thirsty. Businesses and business merchants saw at once the benefit of the double entry accounting system in maintaining accurate and undisputable records. This was the humble beginning of one of the most important and most widely used standards of business practice in the world today.

Realization of dual recording became possible due to use of universal monetary measurement. Initially a single-entry bookkeeping supposed valuables to be written off in natural measurement, but cash to be recorded in monetary measurement. When goods were started to reflect in bookkeeping in monetary measurement then the accounting system got the elements of duality. Bookkeeping took the double-entry form completely when accounts of internal funds were added to the accounts' nomenclature and material accounts got a pecuniary valuation (Bayer, 1911; Lupikova, 2006; Sokolov J. Sokolov V., 2004; Tsuji A., Garener P., 1995).

In attempting to explain why double entry bookkeeping developed in 14th century-Italy instead of ancient Greece or Rome, besides the reason of using money as the "common denominator" for exchange it is possible

to point out more at least 6 reasons or "key ingredients" which led to its creation:

- private property: as far as bookkeeping is concerned with recording the facts about property and property rights the power to change ownership becomes crucial;
- capital: wealth productively employed, because otherwise commerce would be trivial and credit would not exist;
- commerce: the interchange of goods on a widespread level, because purely local trading in small volume would not create the sort of press of business needed to spur the creation of an organized system to replace the existing hodgepodge of record-keeping;
- credit: the present use of future goods, because there would have been little impetus to record transactions completed on the spot;
- writing: a mechanism for making a permanent record in a common language, given the limits of human memory;
- arithmetic: a means of computing the monetary details of the deal.

Many of these factors did exist in ancient times, but, until the Middle Ages, they were not found together in a form and strength necessary to push man to the innovation of double entry (Littleton, A. C., 1933).

Franchman Francua Barrem (1721) introduced detailed definition of the double-entry rule:

- an account is debited if the receipt of values to the farm is recorded on it;
- an account is credited if the retirement of values out of the farm is recorded on it;
- if the retirement of values is not accompanied by the receipt of other values then the account of the person with whom there is a settlement is debited;
- if the receipt of values is not accompanied by the retirement of other values then the account of the person with whom there is a settlement is credited.

Up to date despite the general acknowledgement of the double-entry form of bookkeeping there are discussions about the arrangement of ac-

counting without double-entry. If to apply to history then for example Englishman Eduard Thomas Jones offered English form of bookkeeping (1796) which was supposed to provide an automatic disclosure of mistakes and slips in bookkeeping procedures and to increase the efficiency of financial results' calculation. The central register of the form offered is a journal which has 3 columns. The content and sum of operations are reflected in a middle column, left and right columns are used for recording sums of money coming to and paid from till. Presence of 3 columns in the journal makes it possible to control trustworthiness of accounting information by comparison of the amount in the middle column with the total sum of left and right columns.

In Russian accounting school in the second half of XIX century Fedor Ezersky developed triple (Russian) form of bookkeeping. The name "triple" is caused by following reasons:

- registration of business transactions was conducted in accordance with 3 sets: income, expenditure and residuals;
- 3 books play role of registers;
- it was used only 3 accounts: cash, values, capital.

However the idea to confront the triple form of accounting to double-entry form was not supported in practice. Moreover Ezersky's opponents noticed that triple accounting was actually not a new accounting system but one of the methods of double-entry realization (Edwards J.R., 1989; Tsuji A., Garener P., 1995).

4. Documentation

Every fact of economical activity of a company must be reflected in accounting. The requirement of accounting continuity in a company is realized only on the base of documents. A document is a material data carrier which reflects the fact of economical activity or the right for its accomplishment. Documentation is necessary for day-to-day management and control.

Forming of basic documents and bookkeeping registers took place in naturalistic period. For example in Rome it was created a rule: "nothing from words" and accounting was defined as an art of book-keeping.

Registration of economical facts in ancient states was realized on papyrus leaves; "cards" from clay plates; boards whitewashed by gypsum and covered by wax; brass plates; bast; canvas; skin; parchment.

Valuables from stock were supplied only with the permit of authorized person in the form of signature or impression of the amulet on the document.

Basic accounting registers in that period were statements about assets, daily statement of a storekeeper about presence of and movement of valuables (with the title of valuables, name of supplier and receiver).

In a value based period it was paid a substantial attention to keeping of the registers of cash operations. The first register was a cash book where it was fixed cash movements in national and foreign currency. There were 2 copies of cash book: the first one was held by cashier, a duplicate – by accountant. Receipt and expenses cash journals used for chronological accounting were the second register. Cashier provides a payer with a receipt (Lupikova, 2006; Sokolov J. Sokolov V., 2004).

Tax administration in England fulfilled a registration of tax settlings in matrix called chess board. This matrix was used to fix liabilities and contributed payments. In addition in England for registration of: clearing transactions, movement of valuables within an enterprise (between persons under liability for breakage, as a promissory note, as a cheque), as a means of debt recovery instead of cash it was used nameplates. It was a notched nameplates, a length of each notch corresponded to a payment dimension. A nameplate was splited along, a receiver took one part as a credit order, a payer took another part as a receipt. If to match the parts ones could be convinced of rightness of the record, however some owners of one part of a nameplate were known to falsify notches. In England Treasury used to issue nameplates, they existed till the beginning of XIX century (Parker R.H., Yamey B.S., 2001).

In double entry period it was offered a range of registers, forms of bookkeeping came into being. Italy named the first bookkeeping form: description of registers, accounting books and rules to keep them were called old Italian form. The registers of this form were memory book, journal, ledger. In the sequel Francesco Garatti developed this form by dividing accounts in synthetic and analytic ones. The former were taken out to special auxiliary books, and a new accounting form was called a

new Italian one. This classic form lives nowadays and as a rule it serves as a base study accounting. Meanwhile computers provide a new birth to it, thus new Italian form is used in practice mostly in small businesses.

In XVII-XVIII centuries under conditions of manual labour while appearing big businesses it was impossible to implement a division of labour within one journal. To solve the issue it was suggested 2 new accounting forms: German form described by Friedrich Gelwig and French one advocated by Mathieu de la Porte.

Gelwig joined a typical German cash book with the journal of Italian form. As the result 2 books came into being: a blotter where all records excluding cash ones were fixed and cash book where the cash movement was reflected.

De la Porte differentiated chronologic records that led to the division of a single journal of Italian form in several ones opened to the certain groups of accounts. Each journal presented a table of a columnar format. Periodically (ones per month) on a base of records from these particular journals postings were made in an aggregate journal.

Fabio Besta (theoretically (scientifically) practical period) was the first to make a scientific classification of accounting forms. According to Besta form of recording determines accounting form. Forms of recording were classified under the following bases: a type of a register (book and card); character of a record (simple and double); a way of record fulfillment (chronological and systematic).

A simplified scheme of a circulation of documents is shown on figure 1.

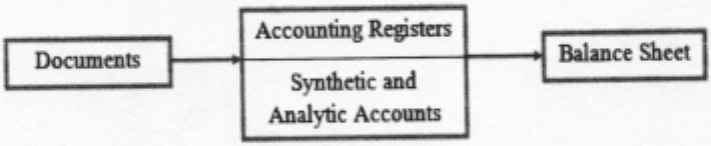

FIGURE 1. A simplified scheme of a circulation of documents

As it follows from the figure above the ultimate purpose of arrangement of the process of documentation and development of accounting registers is to prepare financial statements, in particular balance sheet.

5. Balance sheet

According to modern interpretation balance sheet is a way of economic grouping of companies' funds in monetary measurement in compliance with their structure and sources of formation on a certain date: usually on the 1st day of a month. Thus balance sheet provides the idea about property status and financial performance of the company on a certain moment.

Initially balance sheet was only the category that was defined according to one of Pacioli's postulate: equality of debit and credit turnovers. However to the end of XIV century merchants made balance sheets not only to control turnovers but as a means of control and management of enterprises. Belgian researcher R.de Roover wrote that the world "balance sheet" was at first time used in relation to financial statements in 1427 regardless of the fact whether or not these statements represented balance sheets in a modern interpretation of the term.

Until there were no division of accounts in synthetic and analytic ones balance sheets were overburdened with items. One more interesting fact about a practice of making balance sheet is that if under arithmetical mistake there was a difference between debit and credit turnovers, it was not verified but written off for profit or loss.

Starting from Pacioli times theories of balance sheet arised. L. Flori singled out 2 types of balance sheet: intermediate (trial) based on current residuals of ledger's accounts, and final (true) made according to inventory data and consequently contained true financial results (Parker R.H., Yamey B.S., 2001).

French authors interpreted balance sheet either as a consequence of dual recording (Purra), either as a document determining a financial result (de la Porte) or only as a procedure connected with summing up turnovers in a ledger (Irson) .

Fabio Besta offered a form to structure a balance sheet not only in vertical order (assets and liabilities) but also in horizontal one (fixed assets and current assets; equity capital and loan capital).

Gino Zappa – the last representative of classic Italian school of the middle of XX century – offered to assess balance sheet's items in current prices and asserted that any object in balance is much more informative

than taken alone. In this connection the purpose of a balance sheet is to reflect connections between its elements. Zappa was the first to formulate the statement which today is on the base of IFRS: assets represent not only the funds of a company but also resources for earning profit. That is why the elements which are not supposed to make profit should not be included in assets and should be reflected not in balance sheet but in income statement.

Advocacy of balance sheet as a fundamental original accounting concept in Germany caused appearance of balance sheet's doctrines (Johann F. Schar) and special field of law – balance sheet law. Balance sheet law provided a number of requirement to the balance sheet which are currently actual: precision, fullness (equity capital must be presented in balance sheet in a full nominal value but not in a value which is contributed in fact; the difference between these values must be attributed to accounts receivable), clarity (mostly for accounting specialists rather than for all interested users), truthfulness (making balance sheet according to the law; availability of basic documents to prove every number in a balance sheet); succession (preservation of the balance sheet's structure and assessment principles from year to year), unity of the balance sheet (inclusion in the balance sheet the results of subsidiaries).

The true father of German balance sheet's doctrines Johann F. Schar considered namely balance sheet but not accounts as a base of accounting. Capital equation (assets-liabilities=equity capital) lies in the base of a balance sheet, the latter discovers the turnover phases of the capital. However a balance sheet is made according to another formula, named balance sheet equation (assets=equity capital+liabilities). A balance sheet equation forms original balance. Subsequent balance sheets also include financial result: profit or loss.

An interconnection between capital equation and balance sheet equation is in the following: a form of a balance sheet is built on a balance sheet equation for opening accounts, but the main point is built on a capital equation. While making final balance sheet a formal balance sheet equation transfers to capital one.

By analyzing assets of a balance sheet Schar grouped items in order of declining liquidity of owned funds. Structuring of the liabilities side Schar was in the following order: equity capital, loan capital, residuals of

financial results' account (Lupikova, 2006; Sokolov J. Sokolov V., 2004).

In addition Schar put forward a problem of a balance sheet reality which is determined by both methods of valuation and trivial technical mistakes. Schar was the first to classify and analyze basic methods of balance sheet distortion: joining heterogeneous economic funds under single title; wrong depreciation charge; inclusion of fictitious debtors and creditors; manipulation with reappraisal of values; creation of fictitious funds and reserves.

Till XIX century making balance sheet and closing of resulting accounts had not a systematic regime because it was performed by an accountant in order to control correctness of entries' delivery in a ledger. Only starting from the middle of XIX century a balance sheet was considered as a means of profit calculation. It was encouraged by income tax imposition and depreciation charge.

Representatives of a balance sheet theory of Moscow accounting school: N.S. Lunsky, G.A. Bachchisaraitsev, F.I. Belmer, A.K. Rochakhovsky – pointed out that accounts are elements of balance sheet, a system of accounts is determined by balance sheet. Meanwhile balance sheet is a simplified form of an inventory. An attitude to balance sheet established an attitude to dual recording which was considered as a consequence of double grouping of accounts in balance sheet.

In XX century German authors paid a lot of attention to balance sheet's problems, from this category they built all other bookkeeping categories. Meanwhile a mechanistic interpretation of balance sheet was a characteristic feature of German school. Under that treatment it was developed a static interpretation (Genrikh Niklish) and dynamic one (T. Holzer, W. le Kutr). Under the former vision balance sheet reflects a state of funds on a certain date, it is a reason of subsequent changes and is used to characterize financial position. Under the latter point of view balance sheet presents only a result of previous efforts of a company and financial result of work done.

Le Kutr divided balance sheet which he named as "total" in 8 parts. The assets of total balance sheet included fixed and current assets in work; insurance capital (funds which are not directly connected with economical activity); social capital (funds invested in social and cultural

sphere); management capital (funds invested in a management field); excess capital (funds not used by a company). The liabilities are divided in equity capital, accounts payable and profit.

It is necessary to notice that according to Le Kutr total balance sheet is built on 2 principles: clarity for all interested users and truthfulness (made in accordance with requirements of law).

6. Organizational elements of accounting system. Control functions

In the accounting system there are singled out not only methodological elements but also organizational. Organizational elements include:

- normative regulation of accounting;
- accounting subjects;
- accounting forms;
- methods to provide control functions;
- rules of documents circulation and technologies of accounting information processing.

Control functions have been playing one of the central roles over the all stages of accounting development. Nowadays control functions' realization is impossible without differentiation between liability and authorities which implies the following: incompatible functions are not committed to the same person. Incompatible functions comprise the functions implementation of which by the same person creates conditions for fraud. The necessary precondition of a practical realization of differentiation between liability and authorities is development and observance of a document turnover and technology of transforming of accounting information.

The origin of the principle of differentiation between liability and authorities refers to naturalistic period. Business transaction that time was drawn by 3 persons: one of them marked in a register the amount of values to be supplied, the second one marked the amount of values supplied and the last one compared the notes and revealed deviation if ever. Different officials held different keys (from till and from the room where the documents were kept). They were forbidden to exchange the keys. As the means of control there were introduced inventory and the principle of liability for breakage. For example in Athens the commission of 10 se-

lected by inhabitants persons made inventory of movable and immovable property. In Mesopotamia the base of Chammurapi code of laws was the principle of equal liability for breakage ("an eye for an eye, and a tooth for a tooth"). Furthermore in order to exercise control in accounting it was made a verification of basic documents and reports.

In the Middle Ages oral testimony was considered to be more reliable than written evidence because the latter could be fabricated but the former could not. In the decree of auditors' appointment it was written that they called up "to ask, listen to and take all invoices which have been fulfilled and will be fulfilled".

In addition works were duplicated and there were used the means of running check. For example cash operations were reflected simultaneously by two bookkeepers. A cash book must be boarded, passed a string through, pages of a cash book must be paginated. Every sheet must have a signature and stamp. A face of cash book must have a note with the number of pages (Lupikova, 2006; Sokolov J. Sokolov V., 2004).

This period the proclamation of personnel's ethics may be considered as the means of control function realization. Advance holders must swear to provide true and legal statement of revenues and expenses in full correspondence with master's interests. In addition in order to prevent groundless increase in expenses and revenue fall it was conducted a check of prices' correctness.

The most special way of control realization was more likely to be a "control absence". Financial officials reaping the benefits of control absence took money of treasure house. However when the limits of fraud were exceeded officials were hung.

The head of Venice school Fabio Besta (the second half of XIX century, the beginning of XX century) was the first to divide control in preliminary one, running check and subsequent control. The first stage is characterized with designing of instructions, regulations, budgets and caring out of all the work planned. The second stage comprises inventories, executions a power of attorney, credit orders, disbursement vouchers. The third stage is a traditional accounting with recording of the business transactions occurred. Calculation technics were regarded as an element of accounting method. According to F. Besta the running check is recognized to be well organized if it supposes the conflict of interests

of company's personnel and if it provides the mutual control of persons concerned. In the United States of America this receipt is called a competition method.

Appearance of the institute of controllers (auditors) in England on the value-based stage was sure to become one of the most substantial events for the development of control functions. The first mention of auditors refers to 1299. In 1324 Eduard II appointed three state auditors.

Today according to the level of development audit is known to be subdivided into confirming, system-oriented, based on risk audit. Under conditions of system-oriented audit independent auditors pay special attention to the system of internal control (SIC) of companies checked, because if SIC is effective the probability of accidental or deliberate mistakes (fraud) is insignificant.

Till 2008 the system of internal control presented in a form of a set of organizational measures, methodologies and procedures being accepted by the company leaders. The purpose of SIC was to provide:

- ordered and effective realization of financial and economic activity;
- assets safety;
- disclosure, correction and prevention of mistakes and information distortion;
- timely preparation of reliable financial statements.

Nowadays the system of internal control is interpreted as a process which is organized and carried out by the representatives of the owner, by the company leaders and also by other employees in order for the company audited to get sufficient confidence in reaching the aim to provide reliable financial statements, efficiency of business transactions and correspondence of the company's activity to statutory, legal acts. It means that organization and functioning of SIC are directed to elimination of business transactions' risks and improvement of management processes.

In 1985 it was created voluntary organization COSO (Committee of Sponsoring Organizations of the Treadway Commission) – for improvement of quality of financial statements through business ethics, effective internal control and corporate management. Treadway Commission is an

independent private sector, learning factors which lead to unreliable statements' formation and which give recommendations to companies, independent auditors, participants of equity market and other parties.

COSO joins Financial Executives International (FEI), The Institute of Internal Auditors (IIA), the Institute of Management Accountants (IMA), The American Accounting Association (AAA), American Institute of Certified Public Accountant (AICPA).

In the USA, GB there are established requirements to SIC while entering the equity market. In the USA these requirements are regulated by a whole set of legislative acts, in particular:

- Securities Act of 1933;
- Securities Exchange Act of 1934;
- Sarbanes-Oxley Act of 2002;
- stock exchanges' requirements;
- other laws of the USA in the field of corporate law and protection of investors' rights.

Securities Act of 1933 and the Securities Exchange Act of 1934, for example, were passed by Congress in response to the vast sums lost by investors in the stock market crash of 1929 and the subsequent financial depression.

SIC could be recognized effective if its use contributes to the timely disclosure and prevention of: uneffective business transactions, breach of statutory acts while performing business transactions and unreliable information about company activity.

The system of internal control comprises such basic elements as control environment, control means and information system. The most important component of the latter is accounting system.

7. Conclusion

Thus a research of origins and evolution of accounting system' elements contributes to intensification of a role of each element and accounting system as a whole while managing social and economic processes of functioning of different levels of domestic and international economy.

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