

The ascent of the rich in accounting

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How people getting richer impacted the accounting profession and accountants.

Over the last few hundred years the world saw the rise and evolution of the accounting profession, a profession that was greatly impacted by the increase in personal wealth of people, particularly during the industrial revolution. In the beginning (i. e. the renaissance era) merchants and explorers would have made use of a very basic book keeping system made up of log books of sorts, this system was brought about due to the rising importance of keeping track of ones wealth, something which through the ages has become a significant part of any economy.

During the early 19th century the world saw the start of the first industrial revolution, which also sparked a rise in the capitalistic economy, which in turn gave rise to a significant increase in the wealth of people. With this new wealth many people could now expand their businesses and start new ventures, and so the application of accounting had to evolve in order to accommodate these new ventures. Thus we saw the creation of manufacturing accounting principles and capital investment principles. Many people with large surplus capital started Banks which would allow for business owners to safely put their money away and earn interest on them, so at this point different forms of banks and banking policies were created in order to compete within the 'money market'.

One such policy, was that of being able to take out a loan from the bank, which further expanded into businesses making use of a credit sales system. This was a very unsafe way of buying and selling goods particularly between international borders, and so international standards had to be created in

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order for fair reporting and trade to take place. Accountants took on this responsibility and made many new advancements in recording and presenting credit and debit accounts. After a while it was quite clear as to how important the accounting profession was to any business environment. Read also research proposal on Forensic Accounting

Because of this, the practice of accounting became a formal profession, people could now study it at a basic level at school and then on a more advanced level at University. People would then hire these accountants who would then keep records of where one's money is being spent, how it's being spent and when it's being spent, along with where money is coming from and how much. As capital investment opportunities grew, many people wanted to ensure that they made the right choice as to where they should invest their money, accountants were relied upon to provide this information, which included gathering of information on the current amount of money available to the investor, how much risk is involved and predicted returns on those investment opportunities.

At the same time they would be recording the financial obligations of their "client" and how those obligations could be met. Apart from helping a business grow and expand, accountants also being the ambassadors of moral and ethical business practices, ensuring that exploitation and other vices were kept at bay. Thus in the 1990s the King report, which provided the business world with a guide to good corporate governance, was created and fused with current accounting practices. In this code of conduct a section of it made it clear that rich businesses, in fact any business, must promote the wellbeing of its community and to protect the poor.

The growing of the rich had a great impact on the accounting practice and gave the accounting profession its significant role in the efficiency of any business and economic environment. As such they require many important skills in order to ensure the maintaining of the rich's wealth and the growth and stimulation of the poor, which is why businesses will now pay their dearly beloved accountants high salaries, as the rich depend greatly on their men and women which we call accountants.

However, this is not yet the end of the road, as people grow richer so will their ambitions, therefore requiring the further evolution of the accounting profession in the future.