CHAPTER FOUR

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Turning a Profession into an Industry

If investors were to view the auditor as an advocate for the corporate client, the value of the audit function itself might well be lost.

—*United States v. Arthur Young & Co.*, 465 U.S. 805 (1984)

I'm motivated by money....I'm just about making money. That's why I'm here.

—Arthur Andersen partner, *Final Accounting* (2003)

Accounting scandals occur with regularity, dating at least to the South Sea Bubble of 1720, when investors in the South Sea Company in England took a beating after the much-hyped company failed to live up to expectations. In the scandals of this era, Arthur Andersen was merely the most aggressive accounting firm. This chapter is not a story about Andersen. KPMG might also have been put out of business for its excesses but for the government's fear of leaving too few firms capable of performing multinational audits. This chapter discusses the commercialization of the accounting profession.

John Cook, a professor at Georgia State University, traces accountants' current problems to a shift from thinking of their endeavors as a profession to viewing them as an industry. "In a profession, the emphasis was on service to their clients and to the public. In an industry, the emphasis is on profit for themselves and for their clients."

Bookkeeper to Technician

Some trace the practice of keeping accounting records to the ancient Sumerians, and modern bookkeeping to Luca Pacioli's *Summa de Arithmetica, Geometria, Proportioni et Proportionalita*, the first accounting book, printed in Venice in 1494 ("Everything About Arithmetic, Geometry and Proportion"). It included 36 short chapters on bookkeeping, *Particularis de Computis et Scripturis* ("Of Reckonings and Writings"). Long hours were already an occupational hazard, as the book cautioned a person not go to sleep at night until the debits equaled the credits. The first use of double-entry bookkeeping, however, pre-dates Pacioli.

Ancient bookkeeping suffered from a primitive numeric system. Alphabetic characters doubled as numbers. There isn't a Roman numeral for zero. But don't pity the Roman bookkeeper calculating, XCIV - LXVIII = XXVI. The abacus was well suited for such tasks, and it made possible Roman numeral multiplication and division. The Roman abacus was so popular that European bookkeepers didn't adopt Arabic numerals until the second half of the fifteenth century.

Early audits were designed as an inspection to determine the honest discharge of fiscal responsibility. The town treasurer, the tax collector, or one entrusted with the finances of a private enterprise were subjected to audits. Early accounting had no concept of determining profitability, net equity, or financial condition. Financial statements weren't invented until the nineteenth century. Roman numerals perpetuated narrative accounting, as receipts and expenditures could not efficiently be represented in tabular columns.

Since most people were illiterate, an audit involved "hearing the accounts." Hence the word "audit" originally meant "to hear." Or, in ancient Israel, "to see" following the "inspection" aspect of auditing. In modern Hebrew, an accountant is called, *ro'eh cheshbon* ("he who sees the accounting"). It comes from Biblical references to internal accounting control and auditing of Temple receipts and disbursements:

> Whenever they brought the chest to the king's officers under supervision of the Levites, and they would see (Hebrew: *ro'eh*) that it contained much money, the king's scribe would arrive with an official of the high priest, and they would empty the chest. They then carried it back to its place. By doing this daily, they collected much money.
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> —Chronicles II, 24:11 (elaborating Kings II, 12:11)