

ACCOUNTING AND STATE ECONOMIC POLICIES FORMULATION: AN HISTORICAL REVIEW OF EGYPT ACCOUNTING

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ABSTRACT

The study examines accounting and state economic policies formulation: An historical review of Egypt accounting. Egypt has developed various accounting system to focus on proper accountability using agrarian and pharaonic system but majority of the these studies did not consider the system as a way of fashioning state economic. There is a perennial gap between agrarian and pharaonic system and economic polies; despite the presence of accounting system. The study found that evolution of accounting in Egypt demonstrates its ability to adapt in response to state economic policies. It was further revealed that the agrarian and pharaonic era can help in formulating state economic policies. The study concluded that evidence showed that agrarian and pharaonic system can form basis for fashioning state economic policies. It is recommended that the countries like Nigeria can adopt Egypt agrarian and pharaonic system to fashion out their state economic policies which principally centered on equal distribuion of resources and better accountability system.

Keywords: Economic policies, history, agrarian era, Pharaonic era, mixed economic system

INTRODUCTION

The economy of ancient Egypt has been systematically labeled as a "grain economy". In broad terms, the palace-based grain economy entailed crop collection and its subsequent redistribution (Ezzamel, 2002). In ancient Egypt, redistribution covered several activities like; providing for the immediate needs of the palace and its dependents and provisioning for priests, temple workmen, and workmen engaged in state project. Accounting practices were at the center of all the critical stages that involved bringing commodities to the center as well as redistributing these commodities to the various centers of consumption.

The committee on Accounting history of the American Accounting Association has described accounting history as "the study of the evolution in accounting thought, practices and institution in response to changes in the state of economic policies and societal needs" (The Accounting review, 1970). Considering the service of accounting in societies, accounting practices and development are fashioned by the dictates of the state economic policies and vice versa within which it operates. Accounting also adapt to the progress of society (The Accounting review, 1972).

Accounting scholars have identified a wide range of state economic policies variables which can have significant influences on accounting (Radebaugh & Grey, 1997). Severally, difficulties are encountered, when attempt are made to observe and trace the

relationship between accounting and economic policies. According to Afar (2007), Egyptian activities were hunting, fishing and gathering of grain. The era is known as agrarian era. The agricultural sector was one of the most important economic sectors in Egypt, providing food for consumption, commodities to neighboring towns and source of employment for teeming population.

The pharaonic Egypt was organized around a system of phyles. In this period the administration of economic system is vested in the king (the Pharaoh). The system of phyles developed into a bureaucratic mechanism that organized large number of people for tasks as varied building pyramids, washing dressing, making of statutes for Pharaoh (Tomkins, 1971). This fashioned out obligations and delegations of duties had defined the public finance system of taxation and levies. It was evident from above that Egypt gradually developed their economy to fully dependent on agriculture and subsequent introduction of pharaonic system led to their public finance system adoption.

Accounting calculations identified centers of responsibility for taxable income, estimated taxable capacity, levied precise tax liability, and ensured the collection of levied taxes and their careful storage until they were redistributed as rations or wage. Once measurement of the harvest was completed, recorded and checked against estimates based on standing crop, tax liability was calculated by the scribe. Another scribe checked the amount of tax proposed against the assessment-lists of the harvest, and then the harvest tax was collected. The scribe whose responsibility was to levy tax on grain was known as 'the scribe of counting grain' (James, 1985),

The economic policies of Egypt greatly influence on accounting. The agrarian system encourages private sector economy that induces accounting system tailored towards private sectors accounting. While the pharaonic system embrace the introduction of taxation that leads to advent of public finance. These historic perspective shows that economic policies of Egypt has positive significant influence on accounting for the betterment of her citizenry. From various literature on this subject Egypt has developed various accounting system to focus on proper accountability of agrarian system but majority of these studies did not use the system to fashion out state economic policies; which includes taxation and public finance.

The question that has remained unanswered to justify this study is; can this historical perspective be adapted in Nigeria to fashion out robust and appropriate state economic policies that will be beneficial to the general populace? The general objective of the study is to examine whether historical review of accounting can be used to fashion out state economic policies; the specific objectives are: effect of agrarian era of Egypt on mixed economy system; effect of pharaohnic era of Egypt on mixed economy system. Hypotheses were therefore raised to answer the research questions that what are the effect of agrarian era of Egypt on mixed economic system and pharaonic era of Egypt on mixed economy system.

Scope of the study

The study will cover historical of accounting in Egypt which predates the colonization by British and after revolt against them. The study specifically based on agrarian era and pharaonic era of Egypt accounting. Sample population was judgmentally chosen within

academia and professional accountants within Ondo State. The reason for this is that, most Senior lecturers in field of accounting are familiar with Egypt accounting development as many of them have taught courses related to this for several years.

LITERATURE REVIEW

Farag (2009), Juan and Fernando (2012), Yumiko (2018) and Ahmed, Emad and Qatar (2019), agreed in their various studies that the development of accounting in Egypt has been closely studied to define the basis upon which various accounting concept were based. Private sector economy was predominant in Egypt since from 1952 (Carana, 2002). This was evident in the Egyptian revolution against the British colonialism. The period 3200 B.C – 3000 B.C had transformed Egypt into agricultural society. The ancient Egypt agriculture is basically referred to as the agrarian era. The first agrarian Civilization was developed at about 3200 BCE in Mesoptamia, in Egypt and Nubia (Khern-El-Din, 2008). Agriculture has continued to a consistent and predominant role in terms of development and income in Egypt for over centuries.

The major basic characteristics of Egypt growth in terms of economy has been structural transformation of the agricultural sector. In clear terms agriculture has retained a primary role in the economy (Mead, 1967). The development of accounting has made significant contribution to human society especially in the area of commerce. Accounting origin is dated back to around 3600 BC during trade between tribes in the region of Mesopotamia where records are last on stones and clay tablet (Littleton & Tamey 1961). Yumiko (2018) affirmed that scribes of then are referred to as bookkeepers. Writing of 5000 years ago is actually records of transactions as agricultural produce are marked as strokes on wall of ban and other secret places (Sebastian & Dominic 2013). These scribes and strokes are what translated to today modern ledgers and receipts (Warwick 2008).

Balogun, Okoye and Izedonmi (2015) was of the opinion that combination of favourable geographical features led to the success of ancient Egyptian culture, the very vital of which was the rich fertile soil resulting from annual inundations of the Nile River. The concentration of the ancient Egypt on agriculture has made them to be able to self-sufficient and ability to provide basic necessity of food (Khaled and Tad 2010 cited in Carana, 2002; Hassan, Elnaby & Mosebach, 2005; Hassan 2008b). The massive production of all a sundry in agrarian era of Egypt led to the Egyptian revolution against the British colonialism which resulted in a shift from a capitalist economy system to a socialist one.

In this period the administration of economic system is vested in the king (the pharaoh). The system of phyles developed into a bureaucratic mechanism that organized large number of people for tasks as varied building pyramids, washing dressing, making of statutes for the dead king (Tomkins, 1971). The above fashioned out obligations and delegations of duties had defined the public finance system of taxation and levies. It was evident from above that Egypt gradually developed their economy to fully dependent on agriculture and subsequent introduction of pharaonic system led to their public finance adoption.

Ahmed, Emad, and Mohammed (2019) studied development of accounting and auditing: origin, growth, practice and influential factors. Their findings suggest that political, economic, institutional, legal and cultural factors contribute to the development of the accounting and auditing profession in Egypt. Linda (2013) examined the accounts of the Portuguese New Christian trader, Manoel Batista Peres. These private accounts, found in the Archivo General de la Nación in Lima, Peru, were associated with the trading of slaves on the Upper Guinea Coast in the early seventeenth century. The result shows how this system of accounting could be adapted to a non-monetised economy and contributes to the debate over the relationship between double-entry bookkeeping and the rise of capitalism. Farag (2009) studied the accounting profession in Egypt: its origin and development. The study discovered that. The evolution of accounting in Egypt demonstrates its ability to adapt in response to changing conditions. Vlora and Rrustem (2017) examined literature review of historical development of accounting. Their findings revealed that the time of theoretical accounting recognition is the year 1494, it also revealed that accounting history is scarcely addressed as there only a small books and works that cover the topic.

Majority of the literature reviewed agreed that the agrarian and pharaonic era actually defined state economic policies in Egypt and their subsequent success. However, most of the research work focus on Egypt accounting did not outlined how it can be used to fashion out state economic policies like taxation and public finance. There is no current research, to the knowledge of researcher, on the empirical study of historical review and state economic policies. Hence, this study stands to fill the gap.

The theoretical framework that guides this study was rooted in Diffusion of innovation theory. The theory was developed by Rogers (1962). It originated in communication to explain how, overtime, an idea or discipline gains momentum and diffuses (or spreads) through a specific population or social system. The end result of this diffusion is that people or state, as a part of social system, adopt a new idea, behaviour or policies through a standardized system of operation.

However, in this study diffusion of innovation is found to be more relevant in the gradual formation of state economic policies through diffusion of agrarian and pharaonic system of accounting. Researchers have found that people who adopt an innovation early have different characteristics than people who adopt an innovation later.

METHODS

Linear regression technique was employed as the basic statistical tool for data analyses in this study, with the aid of SPSS 20.0 software. Primary data were used for the study. For the primary data, the study employed cross sectional survey design to facilitate broad and reliable data.

Due to the fact that we have several cadres and bodies of accountant like ICAN, ANAN, ACCA and Senior account officers in Ministry and Parastatals; the sample size was drawn from 30 ICAN registered members in Ondo State District and 15 ANAN members in Ondo State Descript. The choice of the numbers was hinged on those accountants

who have qualified for over 5 years ago. 50 Accounting Lecturers who have more than five years' experience were drawn from tertiary institution teaching accounting in Ondo state.

The justification for the choice of these participants was because they are familiar with historical perspective of accounting and accounting lecturers; have over time taught historical development of accounting in specific to Egypt accounting development. 95 participants were therefore selected as a sample size from the population. Five Likert Scale was used for the structured questionnaire. The score was assigned to Likert scale as follows: "Very correct, correct, not sure, not correct, very not correct." Historical review was measured using agrarian era and pharaohic era. The dependent variable, state economic policies was measured using mixed economic system. Test items were developed to obtain these independent variable behaviour score.

Results and Discussion

Table 1: Descriptive Statistics

	Agrarian Era.	Pharaohic Era	Mixed Economic System
Minimum	1	1	1
Maximum	4	4	3
Sum	192	181	165
Mean	1.26	1.19	1.06
Std. Deviation	.116	.109	.021
Skewness	-.023	.274	-.209
Kurtosis	-.492	-.202	-.775

Source: Researcher's field survey 2018

Table 1 presents the descriptive statistics of the collected data, For Agrarian Era, the mean value of 1.26 indicating the average of the data having standard deviation of 0.116 revealing that the statistical data dispersion is low and the set are close to the mean which posit that on average respondents chose Very Correct, because standard deviation is lower than the mean value. Pharaohic Era shows mean value of 1.19 indicating the average value of the distribution and standard deviation of 0.109 showing that the statistical data dispersion is very low and the set are close to the mean due to the fact that the standard deviation is lower than the mean value which posit that on average respondents agreed to Very Correct. The skewness is positively skewed having a long right tail and in compliment of this, kurtosis is platykurtic by having a lot of value lower than mean arising to flattened curve.

The descriptive Table further revealed that the mean value of Mixed Economic System is 1.65 which posited that on average respondents agreed to Correct. This indicates the average of Mixed Economic System. The standard deviation of 0.21 showed that the statistical data dispersion is low and the set are close to the mean because standard deviation is lower than the mean value. The skewness is negatively

skewed having a long-left tail and in agreement to this, kurtosis is platykurtic having a flattened curve.

Table 2. Administration of questionnaire details was tabulated below:

S/N	Administration of questionnaire	Number of copies	Percentage (%)
1.	Copies administered	95	100
2.	Copies returned	71	74.7
3.	Wrongly filed/unreturned copies	24	25.3

Source: Field survey, 2018

Ninety-Five copies of questionnaires were purposively administered by the researcher. Seventy-One copies were successfully retrieved from respondents. This represents 71% of the number of questionnaires administered.

Table 3: The model summary

Model Summary ^f							
Model	R	R Square	Adjusted Square	R Std. error of the estimate	Sig. f change	Durbin Watson	
1	.815	.767	.735	3.26429	.001 ^o	1.362	
Predictors: (constant), Agrarian era, pharaohnic era							
f. Dependent variable: mixed Economic system							

Source: Authors own study 2019.

In Table 3, the value of R value = .815 however, adjusted $R^2 = .767$ shows that 76.6% of the dependent variable (mixed economic system) has been explained by the independent variables; agrarian era (AgrEr) and Pharaohnic era (PhrEr). However, the unexplained variation is .233 which is about 23.3%; thus we can understand that the model is providing a good fit to data since unexplained variation is 0.233. This clearly shows that the regression line fits the data and Durbin Watson (DW) suggests that the model is serially correlated since 1.362 lies between 1.387 to 1.431.

Table 4: ANOVA and the significance of the model

		Sum of Squares	Df	Mean Square	F	Sig
1	Regression	589.548	2	294.774	20.640	0.001 ^o
	Residual	74.004	6	12.334		
	Total	663.552	8			
Predictors: (constant), Agrarian era, pharaohnic era						
f. Dependent variable: mixed Economic system						

Source: Authors own study 2019.

ANOVA results (the f-ratio) test the overall significance of the model. The f-ratio (20.640) shows that the variables (AgrEr and PhrEr) are the major determinants in

explaining mixed economic system. It can be observed that the independent variable give a significant effect of the dependent variable based on the f-ratio, suggesting that overall, the model in the study is significantly good enough in explaining the variation on the dependent variable. The independent variables are statistically significant because its significance value is 000.1, that is $P < 0.05$. So the null hypotheses are therefore rejected. Therefore, Egypt agrarian era and pharaohic era have significant influence on mixed economic system.

CONCLUSION AND RECOMMENDATIONS

The specific objectives which the study sought to achieve have indeed yielded the overall result which provides evidence to show that agrarian and pharaonic system can form basis for fashioning state economic policies. Effective and adequate management of explanatory variables will have a great result in fashioning state economic policies. The study therefore recommended based on the research findings that agrarian and pharaonic system of accounting can be adopted by other countries like Nigeria to fashion out their state economic policies.

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