

## An Investigation on Auditing History

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**Abstract:** Audit history have including topics that its place in accounting had very limited and had deficit attention or neglecting. Even in this era, especially in recent decades that significant progress in all aspects of audited occurred it is also clearly visible. So far shouts comprehensive is not available about details emerging thoughts on various subjects and describe the technical aspects of this view. This article is investigated the part of the history of this science, that intertwined with the history of human civilization.

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### Introduction

Auditors have been around for a long time. As long as there has been civilization, there has been a need for some type of record-keeping to apply answerability. In fact, it was the need to keep discs of possession of quantities of commodities that led to the growth of writing and arithmetic. The first number representation system and the first written words were modernized as symbols to keep track of ware either taken in as taxations or used in trade(1).

It was centuries later that literature and arithmetic evolved on an individual basis, way far from this primary responsibility application. As an example, the primary proto-Greek written script, Linear B, was basically developed for keeping records of business transactions and palace inventories in urban center Greece in 1400–1300 B.C. It absolutely was solely in 800–700 B.C. that an additional evolved orthography was accustomed record a number of the earliest works of Western literature, the epic poem and also the Odyssey. By then in Greece writing had evolved to the purpose of recording outstanding deeds and social events and not simply industrial transactions. Similarly, accounting and measure evolved into additional abstract arithmetic. This pattern of the gradual evolution of writing had been seen in several even earlier civilizations, beginning with the Sumerians (3000 B.C.), the Egyptians (2500 B.C.), the primary river civilization (2500 B.C.) and also the begin of the Xia sept in China (2300 B.C.).

Auditing attended the event of accounting, and therefore the initial recorded auditors were the spies of King Darius of ancient Persia (522 to 486 B.C.)(2). These auditors acted as “the King’s ears” checking on the behaviour of provincial satraps. The word auditor comes from the Latin word “to hear” as a result of in times of yore auditors listened to the oral reports of accountable officers (stewards) to house owners or those having authority, and confirmed the accuracy of the reports. Over the centuries this role of auditors as verifiers of official reports evolved to incorporate that of substantiating written records. By 1500 A.D. bookkeeping had evolved to the purpose of being documented by Luca Pacioli of Italia within the initial illustrious book on accounting. Pacioli conjointly counseled that the accounting records be verified by auditors. By the first nineteenth century auditors acting as freelance outside consultants were oftentimes called upon to research and report on business failures or to settle business disputes(1,2).

Independence may be a key characteristic of the auditor that we are going to discuss in some detail throughout this book. For currently consider it as conditions necessary to get associate objective appraisal of the topic matter under consideration. If the auditor showed any bias in his or her investigation, or even if there was just the suspicion of bias, the effectiveness of the auditor’s report would be greatly reduced.

Modern auditing began in 1844 once British Parliament passed the Joint Stock Companies Act, that for the primary time needed that company administrators report back to shareholders via associate audited finances, the record. In 1844 the auditor was required to be neither associate comptroller nor freelance, however in 1900 a brand new corporations Act was passed that needed associate freelance auditor.

The first public accountants' organization was the Society of Accountants in Edinburgh, organized in 1854, and European nation and England became the leaders in establishing the fashionable accounting profession. As a results of British lead, the primary North yankee association of accountants, later to become the Institute of hired Accountants of Ontario, was organized in 1879 in Toronto. The Quebec Order became the primary lawfully incorporated accounting association in North America in 1880. The Canadian Institute of hired Accountants (CICA) began beneath federal incorporation laws in 1902, and also the Certified General Accountants Association of North American country was incorporated by associate Act of Parliament in 1913(3).

Following British precedents, the primary legislation requiring audits in Canada was the Ontario companies Act of 1907. This was followed by the Federal Corporation Act of 1917. till 1930 Canadian follow followed Brits model, specializing in the procedures that were followed to method a group action (transaction oriented); these procedures mostly relied on internal proof.

After the 1929 stock exchange crash and also the economic crisis of the Thirties, Canadian apply was more and more influenced by developments within the us. U.S. apply had evolved since the late nineteenth century towards a method of assembling proof on assets and liabilities or what's oftentimes cited as a record audit. As a results of in depth dishonest money coverage that contributed to the stock exchange crash of 1929 and also the world depression of the Thirties, the U.S. passed legislation in 1933 and 1934 that greatly influenced auditing round the world. The U.S. Securities Acts of 1933 and 1934 created the Securities and Exchange Commission (SEC), that regulated the main stock exchanges in the us. firms want to trade shares on the big apple exchange or the yankee exchange were needed to issue audited financial gain statements additionally as balance

sheets. additionally, attributable to the sooner issues with dishonest money reports of the Nineteen Twenties, the stress switched to fairness of presentation of those money statements, and also the auditor's role was to verify the fairness of presentation(3).

In 1941, as a results of expertise within the McKesson and Robbin's fraud case (discussed in Chapter 5), the SEC counseled references to "generally accepted audit standards (GAAS)" within the auditor's report and mandated additional in depth reliance on external proof.

This created a necessity to raised outline audit standards and objectives. This method was begun in 1948 by the american Institute of Certified Public Accountants (AICPA).(3)

### **Auditing History in Iran**

Auditing did not spring to life in Iran as a result of changes in the country's economy. Neither the development of limited companies nor the functioning of capital market created the need for auditing. Instead, the idea of auditing first came to light in the Income Tax Law of 1949. The idea of controlling revenues and expenditures was the result of a constitutional Revolution in Iran. The Certified Public Accountants Association was established according to the Direct Tax Law in 1963. The Center of Iranian Official Accountants was established according to the Direct Tax Law in 1966. Moreover, many other laws and regulations have been found which are related to auditing functions and institutions such as the Tehran Stock Exchange Law that requires companies registered on the Tehran Stock Exchange (TSE) to be audited. According to the Cooperative Companies Law, auditing is required for Cooperatives too. The Iranian Expert Accountants Association was registered in 1974. This association is still operating and publishes the Monthly Journal of Accounting (4,5).

With auditing being required by a number of laws, several of the largest foreign audit firms chose the Iranian Official Accountants as their partners, established branches in Iran, and took the responsibility for auditing large companies. The presence of these firms led to a progressive flow in the accounting profession and education in Iran.

A bill, ratified by the Revolutionary Council after the Islamic revolution in Iran in 1979, confiscated

many enterprises or placed them under direct governmental supervision. To audit and perform statutory examination of these enterprises, three audit firms were established in the public sector: Nationalized Industries and Plan Organization Audit Firm (1980), Mostazafan Foundation Audit Firm (1981), Shahed Audit Firm (1983).

In 1983, an act ratified by the Iranian national parliament merged these three audit firms with the Audit Company (established in 1971 to audit government corporations) to establish the Audit Organization. The Audit Organization's by-laws were approved by Parliament in 1987 when the Organization was established as a legal entity with financial independence. It is affiliated with the Ministry of Economic Affairs and Finance and replaces the original audit firms and pursues the activities legislated in the Organization's Act and by-laws(5).

### Conclusion

Iran, a nation of more than 69 million people, is situated in west Asia, in a region commonly referred to as the Middle East. Geographically, Iran's surface area is 1,648,195 km. Iran is a

country with rich resources of oil and gas and other natural reserves. Documents of ancient Iran

show that in 550 B.C. (Achaemenid era), all records of public revenues and costs were kept soundly and with remarkable accuracy . In this paper we reviewed origin, growth and development of auditing in Iran . During the last two decades, Iran's Audit Organization has taken various measures to harmonize the Iranian Accounting profession with global practices.

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