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From “capital accounting system” to Ias/Ifrs through a National and International literature analysis

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Abstract

The purpose of this study is to analyse the “capital accounting system” and its evolution in the National and International literature to point out which are the elements that mainly affect International Accounting Standards.

This work, starting from the theorization of Besta (the most important author modelling the “classic capital accounting system” at the beginning of ‘900) and following with De Dominicis (the author of the “variante corrente” of the capital accounting system), analyses the theorizations arising from the International literature, reaching to point out some specific characteristics of the capital accounting system that specifically affect International Accounting Standards Ias/Ifrs.

Introduction

The adoption of Ias/Ifrs has recently and deeply affected financial statements in the EU. These standards sometimes show an atomistic view and are not easy to understand in light of the income accounting system traditionally applied in Italy. On the other hand, in the International context the capital accounting view is widespread, but there is not a univocal capital accounting system theory that could be adopted. In light of these considerations the great work of Besta (and the following contributions of De Dominicis), seems to become more and more important to understand the Ias.

As Ias/Ifrs are strongly affected by the capital accounting view, our contribution has the purpose of analyzing, under a theoretical dimension, the capital accounting system, particularly with reference to peculiar aspects and value system.

With reference to the first object we analyze some contributions arising from the Italian literature (Besta, De Dominicis) and International literature with particular reference to the asset

¹ Stefania Vignini (PhD) wrote par. 1, Lauretta Semprini (PhD) wrote par. 2 and Roberto Aprile (PhD) wrote par. 3

liabilities view (Sprouse and Moonitz), and revenue and expense view (Paton, Littleton and Dixon).

As far as the “system value”, our attempt has been such to extrapolate the concepts of value accepted by several authors (Besta, Edwards and Bell) with the main goal of identifying possible contact points in IAS-IFRS.

1. Origin of the capital system: the value theory from Besta to De Dominicis

1.1 The classical capital accounting system

The first part is aimed to a brief review of the classical capital accounting system, (the language of “*variazioni patrimoniali nette*”) and the “current” capital accounting system (the language of “*variazioni patrimoniali lorde*”), through the work of Besta² and De Dominicis, specifically discussing the concepts of capital and expense/revenue as they are treated by the two authors.

According to Besta, in his main work (“*La Ragioneria*”), “considered not only one of the most appreciated treaty in the accounting literature, but also the landmark on which the structure of our disciplines was built”³, “*gli elementi di cui è costituito il patrimonio; e sono appunto le mutazioni degli elementi patrimoniali, e del patrimonio intero, che occorre poter rilevare*”⁴ and value is their essential and characteristic quality, which in the universality of the cases is the only common factor.

The accounting theory from Besta requires that the accounting “will include active and passive elements of the business’s capital (*conti elementari*) and the positive (revenues and profits) and negative (expenses and losses) variations of the equity; so that a accounting books system correctly kept allow to appreciate, at all times, the accounting business of the equity, and as a consequence the sum of the particular results concerning the management of single elements in

² The abandon of the *logismografia* till then dominating is due to Besta. The value and quality of the business’s capital are established as expression of the business. It thus becomes concrete the orientation of Accounting as science applied to the study of the business administration.

³ Giannessi E., *I precursori in economia aziendale*, IV Ed., Giuffrè, Milano, 1980, p. 117.

⁴ Besta F., *La Ragioneria*, Vol. III, Ed. Vallardi, Milano, 1920, p. 5.

the capital, that is the achieved profit or the suffered loss”⁵. For such reason, the books concerning administrative facts, kept using the double entry registration method are grouped within the “capital system” or “capital books”. As a matter of fact, Besta asserts “if the books do contemplate the firms’ wealth directly during their life, that is in the real changes that they undergo, their direct objects is their capital, whereas they can be called capital books”⁶, thus, the literature⁷ supporting them can be named “*patrimoniale atomistica*”, as named by D’Ippolito since, “*non riconosce che il fondo patrimoniale non è una semplice somma algebrica di elementi-valore determinati in via autonoma, ma risulta da un sistema interconnesso di elementi-valori*”⁸ and “*ciascuno di quegli elementi perde la sua autonomia ed il suo originario valore di acquisizione per assumerne un altro conseguente alla sua coordinazione con altri di specie diversa, in modo da costituire un organico ed unitario complesso di risorse disponibili per l’esercizio dell’attività aziendale*”⁹.

From here the capital “needs to be viewed mainly as a factor measurable in reason of the value, which is the aggregation of the values that can be related to the owned assets, or assets that

⁵ Catturi G., *Teorie contabili e scenari economico-aziendali*, Cedam, Padova, 1997, p. 148.

⁶ Besta F., *La Ragioneria*, Vol. II, sec. Ed., Milano, 1909, p. 277.

⁷ With respect to the decreased interest in the capital system and the trend to avoid teaching it in secondary schools, Catturi shows all of his disappointment and discusses the main reasons for which he finds this situation inconvenient. First of all the author states that the capital system “does not generate a methodological problem in the determination of the financial result in a specific period as well as the revenue system, and this latter on the other hand does not generate problems in detecting qualitative and quantitative mutations in the firm’s capital”; furthermore he asserts that many enterprises feel the need to determine peculiar results concerning the management of specific capital aggregates, such as real capital, credits, titles, in order to obtain useful information for the firm’s managers in deciding whether to pursue the adopted management strategies or to set up new ones. As a consequence these productive units, even keeping their books with the revenue system, “are also able to detect peculiar results according to Besta’s theoretical notions and requirements: therefore their accounting books system results in a mixture that implicitly acknowledges the management significance of the capital system” (Catturi G., *Teorie...*, *ibidem*, p.164).

It is a fact that the capital system, moreover the one known abroad, and many of the administrative criteria effectively adopted and theoretically proposed, show the influence of Besta’s perspective. In this regard we would like to relate the idea of the two authors taking into account the possible affinities between the two approaches (Besta and IASB model): “the affinities between the two approaches begins with the shared capital-atomistic perspective, and they go on merging towards the evaluation criteria of the goods belonging to the business’s capital. The first affinity can be observed immediately in the definition of the positive and negative components of the financial result which, in both models, are expressed in terms of capital variations. Concerning the evaluation of goods belonging to the firm’s capital, the emphasis that Besta places on the attribution of a real value to the goods of a capital complex shares similarities with the current values criterion found in the IASB model itself” (Paglietti P., Pavan A., *La teoria contabile di Fabio Besta alla luce del modello di bilancio IASB*, in *Contabilità e cultura aziendale*, 2008, vol. VIII, n. 2, p. 8).

⁸ D’Ippolito T., “La teoria della partita doppia secondo Fabio Besta”, in *Rivista Italiana di Ragioneria*, 1966, n. 8/9, pp. 243-256; n. 10, pp. 301-307.

⁹ Catturi G., *ibidem*, p.149.

can be demanded or given to somebody else, and it's wrongfully called from Rossi or Cerboni¹⁰ *una somma di diritti e di obblighi*"¹¹. Administrative events are constantly generating changes of value in the elements of the firm's capital, hence if "the event object of the recording generates a permutation in the element of the capital ("*evento amministrativo di tipo permutativo*")", then it is clear that the net value or net substance undergoes no variation, but if the managing operation causes an active mutation in a capital element (increase in an active element or decrease in a passive element) which is not compensated in value or it is only partly compensated by a passive mutation (increase in a passive element or decrease in an active element) (*fatto amministrativo di tipo modificativo o misto*), then a variation *nella sostanza netta* will be detectable.

In the first case the total measure ascribed to the fund, complex object of the whole books system, remains unaffected and equivalent active and passive mutations necessarily need to be present; in the second case such measure changes, it is then possible that mutations of both orders, partly compensating each other, or mutation of a single order need to be recorded"¹².

Moreover, according to Besta the *valore reale* of goods, of any species and kind, it's the one that adjusts to their reproduction cost, intended both as cost of physical reproduction, "which consists in obtaining exactly the same kinds, and as cost of economic reproduction, which is obtained by surrogating a utility showed under a certain form with an utility estimated as an analogue, but incorporated under a different form"¹³, thus "as the minimum mercy cost for which now or in a near future, will be possible obtaining either through direct fabrication or through exchange, an identical good or a surrogate good of equal utility. In this perspective, the idea that the value of a thing adjusts to its reproduction cost can be applied to goods of any species or kind. and also goods that are rare or with limited or protected reproduction and those that do not or cannot have equals worldwide"¹⁴.

¹⁰ We would like to remind in this purpose that the concept of capital belonging to Besta finds its resolution exclusively in the economic meaning of the word, as opposed to the logical recording which gave a strictly legal interpretation of it.

¹¹ Besta F., *La Ragioneria*, Vol. I, Ed. Vallardi, Milano, 1891, pp. 70 and 72.

¹² Besta F., *La Ragioneria*, Vol. III, p. 5.

¹³ Ferrara F., *Introduzione al vol. XI*, serie I, Biblioteca degli Economisti, LXV.

¹⁴ Besta F., *La Ragioneria*, Vol. I, pp. 227-229.

1.2. The “current” capital accounting system

The *variante corrente*¹⁵ of the capital accounting system (that is the procedure proposed by De Dominicis) introduces a new perspective with respect to the classic theory of Besta. De Dominicis, taking the German matrix variant as a reference base, suggests a concept of expense¹⁶ and revenue “larger than what found in the German setting. While in this latter purchase costs and revenues of productive factor are not contemplated, being the cost phenomenon born only with consumption, De Dominicis, counts on detecting the costs of purchasing and the factor revenues at the time of their manifestation, in order to make them merge, during the accounting assessment phase, in material consumptions” (...), thus in the current variation the expense is obtained during the exchange act, “and it is then absorbed by the consumption, which anyhow even in this perspective turns out as the only relevant factor in determining the financial outcome”¹⁷. According to De Dominicis “the concept of capital as values fund is not only quantitative... It is a qualitative-quantitative concept, since each measurement implies a quality to which it is applied”¹⁸. Moreover he asserts that the values in the capital are *valori di stima*¹⁹ and need not to be confused with exchange values from which they very often are different, and for which determination criteria are chosen mainly as a function of the evaluation purpose (search for the economic result of a period, search of the presumptive capital value in the possibility of relinquishment or merging or liquidation of the firm etc.) and also for a determined purpose

¹⁵ We chose to retain the term “variante corrente” in its original language because we believe that the attempt of finding a translation would be rather unfair. Such term has been coined by a preeminent literature subsequent to the author and by now established in the Italian literature.

¹⁶ In the specific, according to De Dominicis “*non tutte le variazioni attive patrimoniali sono ricavi e non tutte quelle passive sono costi. Affinché si possa parlare di ricavi e di costi occorre che le variazioni patrimoniali derivino da un fatto economico direttamente o indirettamente attinente il processo produttivo. Entrate di denaro o di altri beni derivanti da apporti di capitale proprio nell’impresa non sono ricavi ed uscite di denaro o di altri beni derivanti da distribuzioni di utili e da rimborsi di capitale non sono costi*”. He then goes on saying that “*per stabilire se una determinata variazione in un elemento patrimoniale (nel denaro, nei crediti, nei debiti, nelle merci, negli impianti, ecc.) rappresenti o meno un ricavo o un costo, occorre esaminarla sotto il punto di vista della causa o fatto economico che l’ha originata: se tale causa è il processo produttivo, da cui discende il risultato economico, quella variazione rappresenta un ricavo o un costo*” (De Dominicis U., *Lezioni di Ragioneria generale. Capitale, costi, ricavi e reddito*, vol. III, part I, IV edition, Bologna, 1984, p. 247).

¹⁷ Ceriani G., “Il sistema contabile patrimoniale nell’impostazione di Fabio Besta, nella variante corrente e nella variante anglo-americana”, in *Contabilità e cultura aziendale*, 2006, Vol. VI, n. 2, p. 47.

¹⁸ De Dominicis U., *Lezioni...*, *Ibidem*, Vol. III, p. 65.

¹⁹ The expression “*valore di stima*” indicates overall the attribution of a value to a determined object according to multiple criteria, regardless from the exchange value of the object. Such value can assume different economic meanings, for further information we suggest among the others D. J. Alexander: “Recent history of fair value”, in “*The Routledge Companion to Fair Value and Financial Reporting*”, edited by Peter Walton, May 2007.

different evaluation criteria can be justified and thus different values, both for single elements and for the whole capital²⁰.

The *conti originanti* for the “current” capital system is constituted by the combination of the capital values. Such combination is identified both by goods and services. The goods include all the elements of the circulating capital and all the elements of the materials fixed capital.

Services are both considered in their quality of durable services and as continuous services the *cumulabilità* of which undertakes the technical form of services credit²¹.

Capital is also constituted by passive elements, debts, in the meaning of goods and services that need to be rendered to others²². “It is so created the complete definition of capital appertaining to a determined financial subject as summation of goods, services and debts and at the same time, the content of the *serie dei conti originanti* of the accounting system”. “Aside from the higher precision in the classes’ identification (...) we can see that its content does not change with respect to the perspective given by Besta”. From here, as already anticipated, “the system above mentioned as a *variante* of the classical capital accounting system”²³.

The system language does not change: the calculation in the second series is defined in terms of variation in the elements in the first series. Shortly, the Author reinforces the ideas of Besta’s School reasserting “with extreme lucidity its fundamental concepts, after a thorough analysis of these latter also in light of the main criticism moved to such scientific framework coming from Zappa’s School, trying at the same time to clarify some of the aspects that he believes have not always been properly shaped and to remove the criticism on the capital system”²⁴. De Dominicis optimizes its general setting causally binding the revenue to the course of the productive activity, elaborating in a more precise manner the concepts of expenses and revenues as capital variations, respectively, passive and active, generating in the productive process²⁵.

²⁰ De Dominicis U., *Il reddito...*, *ibidem*, p. 55 and following., *Lezioni...*, *ibidem*, p. 43 and following.

²¹ See: De Dominicis U., *Lezion*, *ibidem*, p. 84.

²² De Dominicis U., *ibidem* p. 39.

²³ Gabrovec Mei O., *Il linguaggio contabile. Itinerario storico e metodologico*, Giappichelli, Torino, 1999, p. 158. The reading of the following paper is advised for clear and complete description of the operative definitions and the fundamental notions for the treated system language.

²⁴ Ceriani G. - Franza B., *Metodi, sistemi contabili e connesse strutture di conto economico nelle imprese*, Cedam, Padova, 2007.

²⁵ De Dominicis U., *Lezioni...*, Vol. III, *ibidem*, pp. 173-185, 203-239 and 243-266.

The dependence of the revenue from the management it's acknowledged also by De Dominicis²⁶, but the author prefers to link the phenomenon of income to the financial production of the firm.

The analytical determination of the income is suggested through an income statement²⁷ “with costs and revenues for the production of a specific period”²⁸ in which the value of the obtained production is opposed by the cost for the use of the employed productive factors. “The obtained production, for a defined time-frame, becomes then the reference object in building the economic accounting, to such production costs and revenues are referred”.

2. Anglo-Saxon accounting

2.1. Peculiar aspects

In the first paragraph of this paper peculiar aspects of the classical capital based accounting system formulated proposed by Besta were mentioned and a comparison with the *variante corrente* from De Dominicis was presented.²⁹

We will now attempt to carry out an analysis of the Anglo-Saxon³⁰ capital based system, keeping in mind that the term “system” does not perfectly fit the model under study, because of

²⁶ De Dominicis U., *Il reddito*, ibidem, pp. 47-49.

²⁷ Besta and De Dominicis suggested two different prospects of income statement. While Besta, projected only into the analysis of the equity variation, offers a document aimed to the presentation of gross values, De Dominicis presenting all the capital variations allows to achieve the construction of an income statement with integral values of production.

²⁸ De Dominicis U., *Lezioni....*, ibidem, Vol. V, p. 693. Specifically when he talks about integral values of production he does not refer to the sold production, but to the obtained one. For further information we suggest the immense literature and the successive paragraphs.

²⁹ Gabrovec Mei O., *Sistemi contabili e strutture del conto del risultato economico*, Padova, 1995, p. 8.

³⁰ The meaning of Anglo-Saxon model is often used by the scholars for reason of simplicity in the purpose of indicating the accounting approaches typical of the countries belonging to the common law. However, the terminology is improper since a few differences are found among different countries, mainly Great Britain, United States, Denmark, Canada etc.. For these countries the sole common point is often found in the used language. From now on, in light of the given premise we will use the term in double quotes so to underline all the limitations implied by this simplification. For further studies on this subjects refer to the work piece of D.J. Alexander, S. Archer, “On the Myth of “Anglo-Saxon” Financial Accounting”, in *The International Journal of Accounting*, Vol. 25, No. 4, pp. 539-557, 2000.

the lack (in such conceptual setting) of a basic theoretical discipline to which the accounting discussions can be brought back.³¹

However, the knowledge of Anglo-Saxon *accounting*³² has become necessary following the decision from the European Union to compel companies having titles listed in regulated stock exchanges, beginning from January 1st 2005, to present consolidated financial statements, in compliance with the international accounting notions IAS/IFRS³³. As a matter of fact, these notions, being issued by the International Accounting Standard Board, International standard setter based on the Anglo-Saxon perspective of accounting, generally follow the *approccio patrimoniale-atomistico* typical of the Anglo-Saxon accounting, leading to the need of knowledge of the conceptual requirements and the reference purposes on which they are based.

It is known anyhow, that the Italian business literature has drifted away, already for sometime, from the capital based perspective formulated by the Master Besta, outclassed by the income-based setting from Gino Zappa and lately optimized by his alumni, closer to the idea of business³⁴ as “*coordinazione economica in atto*”³⁵, destined to endure overtime and not as mere “*somma di fenomeni*”³⁶. In the two definitions of business it is perfectly noted the inversion of trend originated in continental Europe in the middle of the last century, when the focus of interest moved from *capitale-ricchezza* to coordination of elements, which are no longer considered as isolated bodies untied from the context in which they are found, but as elements of a functioning legacy to which refer in the single business evaluations. The descent from the capital based system should not anyway lead to the mistaken conclusion of a perfect adherence of the

³¹ For further details see: Capodaglio G. - Ricci A., “Le finalità conoscitive del bilancio d’esercizio recenti modifiche normative e prospettive future”, in *Rivista Italiana di Ragioneria e di Economia Aziendale* – November-December, 2008; Ceriani G. - Frazza B., *Metodi...*, *ibidem*, 2007, p. 112.

³² For in depth examination on the nature and role of accounting see among the others: Cassandro P.E., Sul contenuto degli studi di Accounting, in *Rivista Italiana di Ragioneria e di Economia Aziendale*, Roma, n. 5-6, 1973; Turco M.-Colasanto G., *I fondamenti del modello contabile e le prospettive di analisi*, in Quaderni monografici Rirea n. 76, issue. 1-2, 2009; Giaccari F., *Lineamenti di ragioneria internazionale*, Cacucci, Bari, 2005.

³³ For further details see: Capodaglio G. - Ricci A., “Le finalità...”, *ibidem*.

³⁴ It needs to be specified as in the Anglo-Saxon world there is a total lack of economic concept of the company, numerous terms are used as its synonyms: *entity, business, concern, unit*, etc., but none of these fully expresses the meaning that the term company does represent. We chose to translate the term “*azienda*” with the word “*business*”. For further in depth studies see among the others Onida P., *I moderni sviluppi della dottrina contabile nord-americana*, Giuffrè, Milano, 1970; Viganò E., *L’economia aziendale e la ragioneria: Evoluzioni-Prospettive internazionali*, Cedam, Padova, 1996, p. 125 and following.

³⁵ Zappa G., *Tendenze nuove negli studi di ragioneria*, Venezia, 1927, p. 30.

³⁶ Besta F., *Ragioneria*, Vol. I, Vallardi, 1920, p. 1.

examined model to the ones of Besta and De Dominicis, even if it does partially trace aspects of both systems. The method for the inventory books and functioning of the accounts, for instance, are overlapping with the hypothesis supported by Besta³⁷, but in the investigation on the capital variations occurred in the specific period, this *variante corrente* is not exhausted in the simple presentation of *bilancio a valori lordi*³⁸, but it goes farther in the analysis of such variations, we will focus the description exclusively on the elements characterizing such system, giving only mention of few differences among the different accounting systems for knowledge purpose. As a matter of fact, the derived calculations representing revenues related to the management are shown in the summary accounting not only for the difference between the matching elementary accounts, but with their gross value. In this last subject, the model under study, seems to be closer to the *variante corrente*, which in the search for the causes of variations occurred in the original accounting system through expenses-revenues dedicated derivate accounting, eludes the “neutralization” applied by Besta between opposite sign variations in the *conti elementari*³⁹. Despite that, as we’re going to prove, the notions of expenses and revenues used in both systems and the instances at the base of the accounting survey do not overlap, starting from opposite investigative aims and conflicting in most cases.

In the conviction that the purpose of the present paragraph is mainly to offer an overview on the Anglo-Saxon accounting sphere, we will almost exclusively limit our description to the elements characterizing such system, mentioning only few of the differences among the different accounting systems, the knowledge of which is referred to previous paragraphs and other works⁴⁰.

The *accounting* analysis essentially starts from the important observation that unlike what it is seen in the Italian book keeping studies, in the Anglo-Saxon accounting system, two different approaches⁴¹ are found rather than an unique theoretical model of reference, originating from the

³⁷ Ceriani G., *‘Il sistema contabile...’, ibidem*, p. 56.

³⁸The expression “*bilancio a valori lordi*” is typical of the Italian literature, however it could be translated with the English term “gross value financial statement”.

³⁹ Gabrovec Mei O., *ibidem*, 1995, pp. 41-42.

⁴⁰ Ceriani G. - Frazza B., *ibidem*, 2007; Gabrovec Mei O., *Sistemi contabili e strutture del conto del risultato economico*, Cedam, Padova, 1995.

⁴¹ In fact asserting the presence of only two different accounting approaches in the Anglo-Saxon world is very limiting, however our work seeks to focus and partly to confront these two different approaches of asset and liability

way in which the main professional procedure has perceived the changes over time in the economic-business environment⁴².

The two models, *asset-liability view* and *revenue-expense view*, are both expressions of the capital based logic, although from the analysis of the two models it is possible to draw a subtle link between this latter and the income based accounting perspective⁴³.

The “asset-liability view”, which finds higher consensus in literature⁴⁴ because of its loyalty towards the capital based perspective, conveys the income components in terms of capital variations. In the works from Sprouse and Moonitz for instance, the following definitions of expenses and revenues are provided:

1. “Revenue is the increase in net assets of an enterprise as a result of the production or delivery of goods and the rendering of services;
2. Expense is the decrease in net assets as a result of the use of economic services in the creation of revenues or of the imposition of taxes by governmental units”⁴⁵.

It is easy to observe, even at first glance, as the focus of interest for the supporters of such theoretical approach lies in the understanding of the business’s capital as the algebraic sum of active and passive transactions, the first expressed as “expected future economic benefits, rights to which have been acquired by the enterprise as a result of some current or past transaction”, whilst the latter are expressed as “obligations to convey assets or perform services, obligations resulting from past or current transactions and requiring settlement in the future”⁴⁶. In such picture, expenses and revenues are few of the possible causes of variations that the capital can undergo in the managing context of the enterprise. Other possible causes of increase or decrease can be related to increases or decreases in liability as well as variations in the equity⁴⁷. What

versus revenue and expense, since they represent the influence of the income system dated to the second half of 1900.

⁴² For further in depth studies see among the others Onida P., *I moderni sviluppi della dottrina contabile nord-americana*, Giuffrè, Milano, 1970; Viganò E., *L’economia aziendale e la ragioneria: Evoluzioni-Prospettive internazionali*, Cedam, Padova, 1996, p. 125 and following.

⁴³ This opinion is found in Allegrini M, *Concetti di reddito e conseguenti logiche di valutazione*, Giuffrè, Milano, 2001, pp. 30-31.

⁴⁴ In this school of thought belong the works from: Sprouse R.T., Moonitz M., Anthony R.N., Kester, etc.

⁴⁵ Sprouse R.T., Moonitz M., “A tentative set of broad accounting principles for business enterprises”, *Accounting Research Study*, n. 3, New York, 1962, p. 8.

⁴⁶ Sprouse R.T., Moonitz M., *Ibidem*, 1962, p. 8.

⁴⁷ The same opinion is found in: De Dominicis U., *Lezioni di ragioneria generale*, Vol. II, Azzoguidi, Bologna, 1964, p. 262 and following.

described so far, perfectly mirrors the fundamental equation at the origin of the accounting detections in the Anglo-Saxon system: at any moment the total of active transactions must correspond to the summation of negative transactions and net, this latter intended as “amount of the residual interest in the assets of an enterprise⁴⁸”.

In conclusion, the first approach emphasizes the importance of capital as constant point of reference for the business evaluations, giving a minor focus to the income determination for which the elements are defined only as a function of the determination and appreciation of the capital of the business.

The “*revenue and expense view*⁴⁹”, born in the United States of America in the second half of the twentieth century, attempts to overcome the extreme submission of the economic result respect to the capital of the business, defining the positive and negative components of income in an autonomous way with respect to this latter. The fundamental question which is answered by the supporters of such conceptual perspective consists in the identification of the conditions for which an income component can be so qualified, avoiding to be exclusively considered because of its active or passive nature.

However, the concepts of expense and revenue deriving from this view are not perfectly defined. The so called “revenue”, identifies the financial equivalent originating from the sale⁵⁰, while the expense is defined as the reduction in value related to the achievement of the revenue as total expense incurred to obtain the revenue⁵¹, depending from this latter in reason of the *principio di correlazione*⁵². The other components of income, *gain* and *loss*, which do not belong with the previous components, are considered separately, receiving a different meaning in comparison with the one sustained by the other accounting approach⁵³. The term loss expresses in such perspective, “an expiration of cost incurred without compensation or return, in contrast to

⁴⁸ For in-depth studies concerning the fundamental equation see among the others: Anthony R. N., *Tell it like it was: a Conceptual Framework for Financial Accounting*, Illinois, Homewood, 1983.

⁴⁹ In this school the following works are found: Paton W.A., Dixon R.L., Littleton A.C., Brade, etc.

⁵⁰ Paton W.A. - Littleton A.C., “An introduction to corporate accounting standards”, *American Accounting Association*, n. 3, 1967, p. 46.

⁵¹ Paton W.A. - Hepworth S.M.-Dixon R.L., *Essential of Accounting*, Collier-Macmillan Canada, 1966, p. 53.

⁵² Such principle can be considered an element of the matching principle. For further in depth studies about the concept of expenses-revenues correlation in the Anglo-Saxon literature see among the others: Galassi G., “Il postulato della “realizzazione” nella dottrina aziendale nordamericana”, in *Rivista dei Dottori Commercialisti*, n. 2, 1967; Lionzo A. “Il postulato della competenza nel contesto dei principi contabili internazionali”, in *Rivista dei Dottori Commercialisti*, n. 4, 2007.

⁵³ Sprouse R.T., Moonitz M., *ibidem*, p. 8.

charges which are absorbed as cost of revenue” and as a consequence by the term gains are to be intended “proceeds not originating by revenues”⁵⁴.

Finally, both theoretical branches recognize the possibility to separate, within expenses and revenues, characteristic components, extraordinary and accessory, the firsts are exclusively found on the one hand in revenues from the sale of goods and services and on the other hand in the expenses incurred to achieve such revenues, while the classification of the remaining changes according to the considered Authors.

At this stage, in order to fully understand the new notions conveyed by the Anglo-American variant with respect to the accounting systems analyzed in the first paragraph, a short comparison with the concepts of expense and revenue formulated by De Dominicis seems to be necessary.

In the *variante corrente*, the expense, defined as passive capital variation concerning the production process⁵⁵, can find expression in the following logical categories:

- *Expenditure* cost, related to the purchase of a good or a service;
- *Consumption* cost, deriving from the use of the good or service in the production process;
- *Impairment*, related to the economic depreciation of goods, independent from their consumption.

All of the shown cost classes have reference to a broad concept of consumption, which is chosen, even if somewhat downsized, by De Dominicis for the accounting of costs and peculiar economic results regarding products or business’ sections and for each calculation of the overall economic result as opposition to the production revenues.

The meaning of “revenue” in the Anglo-Saxon accounting model conflicts with the idea grown about it by the considered Author. As a matter of fact, De Dominicis holds within the characteristic revenues also particular revenues so called “*in natura*”⁵⁶, such as the increase in the storage supplies, the productions carried out in economy, the products given out to employees or taken by the owner, while the accounting treats them as mere cost adjustments necessary to align the production set up in the period with the reference element for the system, that is the one sold in the same period.

⁵⁴ Paton W.A. - Littleton A.C., *ibidem*.

⁵⁵ De Dominicis U, *Lezioni(...)*, *ibidem*, 1964, p. 243.

⁵⁶ With the term “*in natura*” revenue, we intend revenues not strictly monetary.

At this point it clearly arises how the main difference between the two variants of the capital system resides in the accounting moment of reference: the consumption of factors in the production processes – in the De Dominicis model –, the sale of goods in the Anglo-Saxon one from which more evident and decisive differences are found. This last remark requires further clarifications so that the determiners of the economic result can be clearly understood in both models.

The *variante corrente*, considering as decisive the knowledge of the whole production set up by the business in a specific period, needs both types of revenue, sale and “*in natura*”, while for the expenses in determining the cost for the set up production, it will be necessary to identify the configuration of cost-consumption⁵⁷. On the contrary, the Anglo-Saxon perspective, finding in the exchange act the decisive event for the enterprise activity, identifies the *expense* as negative component of the income only during the products sale, naming it “*cost of good sold*”. In order to determine this value it is necessary to sum up, on the one hand, all the expenses incurred so that the sold quantity could be set up, while on the other hand, all the so called “*in natura*” revenues will be charged off, referring to productions carried out during the specific period, but which have not been exchanged by sale on the market for various reasons⁵⁸. It so becomes clear how, being no longer able to refer this expense value to the whole production created in the specific period, as for De Dominicis, but exclusively to the one exchanged in such period, that expense value comes to represent an important distinctive element between the two models and the main noticeable differences can be derived from it.

In conclusion, once the cost of good sold is compared to the net revenues from the sale, sole characteristic component for the model under study, it will be possible to determine the gross industrial mark up, which covers an extremely important informative function in order to evaluate whether the operative management of the enterprise has been performed in effective and efficient conditions.

⁵⁷ De Dominicis U., *ibidem*, 1964, p. 182.

⁵⁸ An example of Anglo-Saxon like definition of sold good is the one provided by Sprouse R.T., Moonitz M., *ibidem*, 1962, p. 50.

2.2 The value system in the Anglo-Saxon accounting

The analysis so far carried out has brought, even if in a synthetic way, the knowledge of the Anglo-Saxon accounting model in its essential traits. Now it is necessary to describe the way in which the accounting faces the problem of attribution of value⁵⁹ to the business's resources.

The business evaluations do play indeed a pivotal role in the accounting determinations, since the consistency of the business's capital and the economic result originates from them. In the current state of the art, it is extremely important to know and understand the Anglo-Saxon system of values, since its orientation is widely welcome in the international accounting notions, although, as we will see in the next paragraph, they keep relevant distinctive elements.

First of all, in the act of describing a model for capital evaluation it is necessary to define the conceptual logic inspiring the whole estimative process. The theoretical framework followed by the "accounting *patrimoniale-atomistica*"⁶⁰, tends to prefer analytical evaluations of the components in the business's capital⁶¹, this way every single element is evaluated regardless from the existing links with the other elements of the capital, as if it would be possible to isolate it from the context in which it is found. The originating model is commonly defined by the scholars "current values capital set up", but in order to understand the true meaning of "current value" in the peculiar acceptance used in the Anglo-Saxon world it is necessary taking a short step backwards up to the origins of such approach.

Essentially, the theoretical bases for the model under study can be drawn back to the work of Edwards and Bell, two American scholars that in the sixties attempted the interpretation of the evaluating criteria consolidated in the literature in light of the needs emerging along with the increase in dimension of the financial markets. In this context, indeed, the need for information ever more updated and precise was growing, in contrast to the ones provided by the traditional accounting systems based on historical costs; for this reason many studies hypothesizing a strong use of current values did flourish.

In their best known work, *The theory and measurement of Business Income*, Edwards and Bell analyze the determiners of the business' value, pointing out the double origin of such value

⁵⁹ Besta F., *Ragioneria*, Vol. II, Vallardi, 1922, pp. 71-72.

⁶⁰ It is to be noted the significant difference between atomistic evaluations expressed as exit values and those carried out using entry values. The following observations will mostly use this second approach.

⁶¹ Allegrini M., *Concetti(...)*, *ibidem*, p. 45 and following.

flows: operative dimension linked to the economic transformation of goods on one hand, temporal dimension concerning variations of current prices reflected on the held good⁶² on the other hand. From this observation derives the need for a search of a values system that mirrors both the observed dimensions as far as business evaluations and income of the business. Such research leads to a number of hypothetical values that can potentially be used in the evaluations and are essentially grouped, according to the Authors, in two categories: *entry value* and *exit value*⁶³. The firsts express, in a retrospective vision, the monetary sacrifices incurred to secure the good, while the seconds, in a perspective approach highlight the potential benefits which can be gained from the good itself regardless from the sacrifices already incurred.

Like affirmed by Edwards and Bell:

“The six concepts which will merit further discussion are summarized below:

Exit Value:

1. Expected values: values expected to be received in the future for output sold according to the firm’s planned course of action;
2. Current values: values actually realized during the current period for goods or services sold;
3. Opportunity costs: values that could currently be realized if assets (whether finished goods, semi-finished goods, or raw materials) were sold (without further processing) outside the firm at the best prices immediately obtainable.

Entry Value:

1. Present cost: the cost currently of acquiring the asset being valued;
2. Current cost: the cost currently of acquiring the inputs which the firm used to produce the asset being valued;
3. Historic cost: the cost at time of acquisition of the inputs which the firm in fact used to produce the asset being valued”.

As a conclusion for a thorough analysis of the above presented concepts, the two authors state their preference of the *current cost* as reference criterion, which allows achieving the established

⁶² Catuogno S., *Configurazioni di reddito a valori correnti e modelli di capital maintenance*, Cedam, Padova, 2003, p. 105.

⁶³ Edwards E.O., Bell P.W., *The Theory and Measurement of Business Income*, University of California Press, Berkeley & Los Angeles, 1961, p. 78.

work goals and satisfies the fundamental criteria at the bases of the evaluation of the business's capital that can be summarized as follow:

1. "The events recorded in the accounts must be objective events of the current period alone;
2. Operating profit must be carefully separated from capital gains;
3. The events recorded must relate to the actual activities of the firm⁶⁴."

According to these parameters it's easy to understand the reasons why the other evaluation criteria are being discarded. As far as the *entry values* there is elimination of both the *historic cost*, unable to reflect the events occurred in the activity, and the *present cost*, since it would require the total abandon of the realization concept. In the second group *opportunity cost* and *expected value* are eliminated since they evaluate the *assets* of the business regardless of the fact that the goods have been sold, the *current value* is also eliminated since it does not provide any distinction between contribution deriving from operative activity and holding activity, furthermore it does not respect in none of the two dimension the realization concept, adding positive components in the activity which have not yet been accomplished.

The current cost is ultimately chosen for its ability to represent the events occurred in the activity, obtaining a more faithful representation for the value of the business's capital; moreover the realization concept is protected with respect to the operating dimension⁶⁵.

The capital perspective as conceived by Edwards and Bell has overtime undergone evolution, as a matter of fact, a number of Authors⁶⁶ have preferred the use of the *current value* as a reference criteria as opposed to the *current cost*, because of the ability of the first to reflect the benefit to be gained from the good rather than the sacrifice incurred for the acquisition of such good.

The "current values capital system", referring with such term to both versions above described, has not however been welcomed in all the countries where it was suggested, some of them have use it as supplementary to the historic cost system, other as a substitute for it, while some have remained observant of the conventional model.

⁶⁴ Edwards E.O., Bell P.W., *ibidem*, 1961, p. 90.

⁶⁵ Catuogno S., *ibidem*, 2003, p. 109.

⁶⁶ We are especially referring to the works of MacNeal, Chambers e Sterling, that suggest the use of current values in output as main tool for the evaluation of the elements in the firm's capital. The school of thought reflected in the works of these authors is called CoCoA, *Continuously Contemporary Accounting*.

In our opinion, in countries with a strong formal-judicial setting it is an illusion hypothesizing a model which adds strong elements of estimation and uncertainty as an alternative to the consolidate guide criterion of the historic cost, however the opportunity to join exclusively as a complement reliable informative elements about the “current value” should not be excluded.

In conclusion, at the end of this analysis of the Anglo-Saxon accounting system, it seems fundamental underlining some of the already expressed concepts.

The accounting appears as a capital inspired model in which the attention is focused on the firm’s capital with respect to the economic result according to an atomistic perspective, differently from Besta’s classical capital system and from the *variante corrente* of De Dominicis.

The marked professional vocation of the Anglo-Saxon countries has caused the lack of development of a solid literature base able to build a defined theoretical implant, on the contrary it is possible to find two different conceptual frameworks, asset-liability on the one hand and revenue-expense on the other hand. The quick development of financial markets has led to the search for information ever more useful to investors, able to reflect the actual business management, with the consequent moving away from the traditional values system, towards current values able to express the market’s dynamics. However, the meaning of “current value” adopts different cuttings depending on the observed context, in the logic of the international accounting notions IAS-IFRS, for instance it becomes fair value, concept which cannot be placed in any particular category.

3. IAS/IFRS and “capital accounting system”

International Accounting Standards arise in a relevant way from the “capital accounting system”⁶⁷. Therefore “reading” and “adopting” those principles, the application of income accounting system (characterizing the Italian context), could sometimes be incorrect or useless.

⁶⁷ “La politica di remunerazione e l’integrità del capitale proprio: riflessioni critiche sul Framework dello IASB”, in AA. VV., *L’analisi degli effetti sul bilancio del’ introduzione dei principi contabili internazionali IAS/IFRS*, Gruppo di studio e attenzione dell’Accademia Italiana di Economia aziendale, First Volume, RIREA, Roma, 2007, pp. 309-310; Paglietti P., Pavan A., “La teoria...”, *ibidem*, p. 8. In accordance to Lionzo A, *Il sistema dei valori di bilancio nella prospettiva dei principi contabili internazionali*, Angeli, Milano, 2005, p. 40, in which he pointed out the origin from the Anglo-Saxon model.

In the following paragraphs we analyse some aspects that highlight the similarities between Ias/Ifrs and the capital accounting system. In particular, we dwell upon these issues:

1. the structure of the income statement based on either the *nature of expenses method* or on the *function of expenses method*;
2. *fair value and historical cost*.

3.1 Income statement based on the nature of expenses method and on the function of expenses method

Referring to the income statement IAS/IFRSs allow the adoption of two different classifications^{68 69}.

The classification based on the *nature of expenses* refers to the origin of *expenses* and *revenues*. It considers the origin of the cost and the attainment of the revenue.

The classification based on the *function of expenses* concerns costs and revenues in order to show their application in a specific organizational structure or in a determinate phase or function in the entity activity⁷⁰.

These two different structures of income statement also have a different informative function and they are connected to the bookkeeping process.

In particular, the classification by *nature* directly arises from the bookkeeping based on the income accounting system. In fact, in bookkeeping, the *first set of accounts* called *origin accounts* (referred to as *financial variation*), is recognized with the *second set of accounts* generally addressing costs and revenues structured by their nature (i.e. raw materials, personnel costs).

On the contrary, the second set of accounts is different in the capital accounting system⁷¹.

⁶⁸ Ias 1 *Presentation of Financial Statements*, par. 99.

⁶⁹ For the structures of financial statements see among the others: Capodaglio G., *Le valutazioni aziendali ordinarie*. Vol. I, Clueb, Bologna, 1997; Maticena A., *Il bilancio d'esercizio. Strutture formali, logiche sostanziali e principi generali*, Clueb, Bologna, 1993; For the structures of balance sheet considered under IAS/IFRS see: Epstein Barry J.–Mirza Abba A., *Ias. Interpretation and Application of International Accounting and Financial Reporting Standards*, Wiley, NY; Caratozzolo M., *Il bilancio d'esercizio. Seconda Edizione aggiornata ai principi contabili nazionali e internazionali*, Giuffrè, Milano, 2006; Allegrini M., Quagli A., Zattarin S., *Principi contabili internazionali. Casi risolti*, Ipsoa, Milano, 2006.

⁷⁰ Bastia P., *Analisi dei costi. Evoluzione degli scopi conoscitivi*, Clueb, Bologna, 1996, pp. 197-198.

⁷¹ The second set of accounts is different in the classical capital accounting system of Besta and in the proposal of De Dominicis. Besta F., *Ibidem*, Vol. I, Vallardi, Milano, 1909. On this point Mei specified that there are differences in

Besta considers that only equity variations affect the income statement. The recognition does not describe the nature of the variation (i.e. revenue), but only the increase and decrease in capital assets or liabilities and the profit or loss referred to exchanges with third parties.

The Anglo-American system is based on the representation of the cost of sales. The entity recognizes exchanges with third parties as in the “capital accounting system”, but it also recognizes some aspects of the industrial accounting⁷² with the aim to determine the configuration of the cost⁷³. Therefore we can note that the model proposed by Ias 1, par. 103⁷⁴ ⁷⁵ is extremely similar to the one proposed by the above mentioned capital accounting system.

3.2 *Fair value*⁷⁶ and historical cost

To analyse the evaluation criteria adopted by the Iasb, it is necessary to point out that its financial statements model is based on an Anglo-Saxon capital accounting system. It is

the operation of the “Second Set of accounts” which are the causes of the diversification between the capital accounting systems. “A different definition of capital variations implies a different identification of costs and revenues and a different content of the original set”. Gabrovec Mei O., *Ibidem*, 1995, p. 9.

⁷² Gabrovec Mei O., *ibidem*, 1995, p. 165, “during the sale, the system determines:

Cash and Revenues

Cost of sale and Products

There is a recognition of permanent inventory and not intermittent. It reports the variation of the nature of the good during the phases of loading and unloading.”; Beretta Zanoni A., *Lo sviluppo degli studi economico aziendali negli Stati Uniti d’America: pensiero e opere di William Andrew Paton tra Economia e Ragioneria*, Quaderni Monografici Rirea, n. 12, Roma, 2002, pp. 68-69.

⁷³ The cost of sale shows an increase at the beginning of the year with the opening inventory and then with purchasing. Then it will be corrected by the sales and at the end of the year with the accounting transfer of the closing inventory.

⁷⁴ Ias 1 *Presentation of Financial Statements*, par. 103: “The second form of analysis is the “function of expense” or “cost of sales” method and classifies expenses according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. [...]”.

⁷⁵ Gabrovec Mei specified that there would be three different situations:

- “an account of the economical result in case of gross results, in the classical system, an account of the economical result in case of total expenses and revenues of the production of the period, in the current variation,
- an account of the economical result in case of expenses and revenues of the sales, in the Anglo-American variation.

Each accounting system is connected to a different structure of the profit and loss account”. Gabrovec Mei O., *Ibidem*, 1995, p. 10.

⁷⁶ This short analysis is made without any claim to exhaustiveness, but wants to point out where we can find “fair value” or historical cost within the capital accounting system also with reference to some contributions arising from the International literature. A deep analysis of this matter is made by Alexander with reference to Ias/Ifirs and US Gaap, in “Recent history of fair value” in “*The Routledge Companion to Fair Value ad Financial Reporting*” Edited by Peter Walton, 2007. This book approaches fair value from many different perspectives giving a complete vision of it.

characterized by an atomistic view of the capital, rectified to pursuit an unitary view through the *impairment test*⁷⁷.

As seen in the first paragraph, the idea of Besta is that accounting value should be similar to its *valore reale*⁷⁸. First of all, he refers to the *cost of re-production*. It is the cost of the physical reproduction of the good or the economical cost to obtain a different product, but with the same utility⁷⁹.

In case of several exchanges for money, the *valore reale* can be determined by “the normal price or common price [...], included between the minimum and maximum prices made⁸⁰”.

Besta understood that this value was not usually adopted and he introduced the use of *historical cost* in particular for goods which are not involved in several exchanges and for which it is very difficult to determine the normal price obtained from the current prices⁸¹.

International Accounting Standards state the coexistence of different evaluation methods⁸² that can be grouped in two categories: *historical cost* and *fair value*⁸³. They include, as mentioned in the Framework, par. 100:

- a) historical cost;
- b) current cost⁸⁴;
- c) realisable (settlement) value⁸⁵;
- d) present value⁸⁶.

⁷⁷ Cfr.: Ias 36 *Impairment of Assets*.

⁷⁸ Besta F., *La Ragioneria. Vol. II, ibidem*, pp. 301 e 345. Could “*valore reale*” be translated into “*fair value*”?

⁷⁹ Besta F., *La Ragioneria. Vol. II, ibidem*, pp. 301 e 345. Also: Ceriani G. -Frazza B., *Ibidem*, 2007, pp. 96 and followings; Paglietti P. – Pavan A., *ibidem*, 2008, Vol. VIII, n. 2, pp. 12 and followings.

⁸⁰ Besta F., *La Ragioneria. Vol. I, ibidem*, p. 232.

⁸¹ Ceriani G. - Frazza B., *Ibidem*, 2007, p. 97.

⁸² The Framework of Ias/Ifirs at paragraph 100 states that: “a number of different measurement bases are employed to different degrees and in varying combinations in financial statements”.

⁸³ We can find a more detailed classification in Alexander (2007): Depreciated historical cost (Ias 16); depreciated revalued amount (Ias 16); lower of cost and net realizable value (Ias 2); fair value (Ias 39, 40, 41); amortized cost (Ias 39); cost plus profit attributable to work to date, less expected loss (Ias 11); recoverable amount (Ias 36).

⁸⁴ Assets are carried at the amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently. This definitions corresponds with the one of the “*present cost*” stated by Edwards E.O., Bell P.W., *ibidem*, 1961.

⁸⁵ Assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the asset in an orderly disposal.

⁸⁶ Assets are carried at the present discounted value of the future net cash inflows that the item is expected to generate in the normal course of business.

Whereas classical *income accounting system* considers *historical cost* as the best and almost unique choice, capital accounting system of Besta and the one proposed by the Iasb allow the adoption of more different evaluation methods⁸⁷. As mentioned above, the reference value model of the accounting system created by Besta is based on the “valore reale” that could be similar to the more recent concept of *current cost*, even if *historical cost* is the most used criteria thanks to its objectivity the lack of influence by the estimator⁸⁸ and its easy adoption.

On the contrary, IAS/IFRSs prefer historical cost⁸⁹ allowing anyway other evaluation systems, whose application is also deeply analyzed in the Italian literature⁹⁰.

4. Conclusions

At this point of the dissertation we would like to spend a few concluding lines. What arises from the work is the extreme difficulty and danger in attempting to confront different accounting “systems” with a space-time perspective. As we were able to observe in the first section of the article, Besta’s idea is found consistent with the concepts of theoretical economy of its time. As a matter of fact, in such context the dominant idea was the one of being able, under determined conditions, to identify, using the markets’ functioning, the *valori veri o reali of goods*, to be found in the equilibrium prices, carrying all of this in the processing of the accounting operations.

In particular the income statement based on the function of expenses method is arises from the “capital accounting system” of Besta as first hypothesis and it is connected to the Anglo-Saxon model through subsequent developments, as seen in the previous paragraphs.

⁸⁷ “These two approaches focused to the capital method of current values” [...]. They consider that the economical result is influenced by the values obtain from the exchanges of period and the ones from the normal activity of the entity (*holding gains or losses*)”, Paglietti P. – Pavan A., *ibidem*,, 2008, pp. 20 e 21.

⁸⁸ Palumbo R., “Spunti di riflessione sul decadimento del paradigma bestano a vantaggio di quello zappiano: il contributo di Vittorio Alfieri”, in *Rivista Italiana di Ragioneria ed Economia Aziendale*, May-June 1999, pp. 303 and followings.

⁸⁹ Framework, par. 101.

⁹⁰ The most recent Italian studies are: Allegrini M., *Concetti...*, *ibidem*; Andrei P., *Valori storici e valori correnti nel bilancio di esercizio*, Giuffrè, Milano, 2004; Catuogno S., *Configurazioni...*, *ibidem*; Lionzo A., *Ibidem*, 2005; Pizzo M., *Il Fair Value nel bilancio di esercizio*, Cedam, Padova, 2000; Rossi C., *Il concetto di Fair Value e la valutazione degli strumenti finanziari*, Giuffrè, Milano, 2003; Zambon S., *Entità e proprietà nei bilanci di esercizio*, Cedam, Padova, 1996.

On the other hand, considering the evaluation criteria, we point out that fair value adopted by Ias/Ifirs, in one of its configurations, can be found also in the “capital accounting system” of Besta, where he suggests the adoption of a *valore reale* that can be considered as the “cost of economic reproduction”. This concept is not far from the ones of “present cost” and “current cost” stated by Edwards and Bell (1961).

Likewise, the Anglo-Saxon accounting appears as a capital based model in which the focus of the attention lies on the business’ capital with respect to the economic result, according to an atomistic perspective, being however different from both the Besta’s classical capital system and the *variante corrente* of De Dominicis. The marked professional vocation of the Anglo-Saxon countries has indeed caused the lack of development of a solid literature base –as otherwise observed in our country- able to build a defined theoretical framework. On the contrary it is possible to find several different conceptual frameworks, among which we chose to analyze asset-liability and revenue-expense. The former more coherent to Besta’s model under a conceptual point of view, the latter closer to the revolution led in a later period by Zappa. Moreover, the quick development of financial markets has led to the search for information ever more useful to investors able to reflect the actual business management, with the consequent transition from the traditional values system towards current values able to express the market’s dynamics.

Hence it is possible to assert that the meaning of “current value”, to which the Anglo-Saxon capital based system refers to takes on different cuttings on the basis of the observed context. In the logic of the international accounting principles the current value becomes fair value, concept that cannot be placed in any particular category. The two terms cannot obviously be seen as synonyms in reason of the fact that the latter adopts –on the basis of the evaluated object- different “configurations of value”, for example: historic cost, replacement cost, and in few instances also the one of current value.

This being said, it is even plausible that the idea of *valore reale* embedded in Besta’s literature could be brought back to a wider concept of current value⁹¹ with the meaning of replacement

⁹¹ We refer to the idea of current value as “*entry value*”. For further studies we recommend, among the others: Andrei P., *Valori...*, *ibidem*.

cost, and for this we like to think that the Anglo-Saxon accounting could have recalled, even if only for certain aspects, the picture traced by our Master Besta.

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