

# Reinventing Accounting: Pacioli for the 21st Century

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## Abstract

*The radical new book Reinventing Accounting introduces accounting as a universal, enduring, and rational discipline in the style and layout of Pacioli [1494] but with a content that is dramatically different. Tractatus xi of Pacioli's Summa... was a description of bookkeeping as it was carried on in Venice in the 15th century. If one assumes that the merchants of the time were optimizers, the bookkeeping methods used were optimal in the light of the resources available to carry out the required tasks. But in the intervening 500 years much has changed in the business world, and it would seem that a re-examination of the foundation of double-entry bookkeeping would yield some new insights that would adapt the ancient practices to the new computerized environment. An examination of the most popular textbooks in accounting reveals a striking uniformity in terms of the basic structure of accounting—a thoughtless passing on of ancient and newer traditions.*

*Reinventing Accounting proposes and implements the following innovations:*

- 1. Views any business as a living entity described by a circulatory system of value [Ch. 2].*
- 2. Eliminates the archaic and specialized terms, debit and credit, and replace them with the universally known and understood terms, to and from [Ch. 2].*
- 3. Creates a simple logical structure for accounting that is built on three primitive terms: location, value, and time [Ch. 3].*
- 4. Eliminates the three traditional financial statements [balance sheet, income statement, and cash flow statement] and replaces them with one comprehensive two-dimensional network [Ch. 8].*