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Financial Statement Valuations in Italy: The Contribution of Fabio Besta (1845-1922)

Enrico Gonnella (Corresponding author), Lucia Talarico
Department of Economics and Management, University of Pisa
Via C. Ridolfi 10, 56124 – Pisa, Italy
E-mail: enrico.gonnella@unipi.it

Abstract

Fabio Besta (1845-1922) is widely recognized as one of the founding fathers of Italian accounting theory and as a prominent figure at an international level. Among his most significant contributions, his theorization on the topic of financial statement valuations stands out, characterised by a notable degree of originality. Although starting from the economic studies of the time on the theory of value, Besta elaborates a framework consistent with his conception of accounting as a "science of economic control". This paper aims to analyse this contribution, going beyond simple historical reconstruction to delve into how the author addressed the complex problem of choosing between different valuation bases. Particular attention is paid to the comparison between the criterion of exchange value and the criterion of cost, a debate that still retains great relevance. Understanding the historical origins of these approaches allows us to interpret contemporary accounting choices with greater awareness, bringing out the theoretical and practical roots of still-open questions.
Keywords: Besta, Financial statement valuations, Valuation bases, Exchange value, Economic cost.

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1. Introduction: Life and Seminal Works of Fabio Besta

The topic of financial valuation is highly timely and continues to be the subject of analysis and debate among scholars, standard-setters, and practitioners. Current regulations on the matter are the result of a long development within accounting, which has evolved in parallel with the discipline's transition from a mere technical practice to a recognized scientific field (Lee, 1985; Edwards, 1994; Chatfield & Vangermeersch, 1996; Belkaoui, 2004).

A significant phase of this evolution is reflected in the theory of financial valuation developed by Fabio Besta. While largely informed by economic thought, Besta's approach adapts valuation criteria to the purposes of accounting. The result is an autonomous theory of financial statement valuation, firmly rooted within the accounting domain, despite its evident debt to economic theories.

Fabio Besta is regarded as one of the most influential scholars in the history of Italian accounting thought. The thinker was born on January 17, 1845, in Valtellina, in northern Italy, then part of the Kingdom of Lombardy-Venetia under Austrian rule. His education took place within a cultural context marked by profound political and institutional transformations. These were the years leading up to the unification of Italy, which occurred in 1861, although the annexation of the Kingdom of Lombardy-Venetia to the newly formed Kingdom of Italy was only completed in 1866, following the Third War of Independence in which Besta himself took part.

After completing his studies in accounting, he went on to teach at the Technical Institute for Accountants in Sondrio. In 1872, he was appointed to Ca' Foscari to hold the first Italian chair of Accounting at *Scuola Superiore di Commercio di Venezia Ca' Foscari* (Higher School of Commerce of Venice), where he founded the so-called Venetian School.

He died in 1922 after a long career of teaching and research, leaving behind many disciples, some of whom defined the course of the discipline in Italy (Coronella, 2018; Coronella et al., 2024).

Fabio Besta is considered in Italy "… the greatest scholar of accounting studies" (Giannessi, 1980, p. 117).

His seminal work is represented by the three volumes of *La Ragioneria* (The Accounting) (Besta, 1909-1916), which laid the foundations for the evolution of accounting from a mere technical practice into a scientific

discipline[1]. He moved beyond the personalistic approach to accounts developed by Cerboni – known as *Logismografia* (Logismography)[2], and then prevalent in Italy – replacing it with an equity-based accounting system, named *Sistema patrimoniale*. He was also a pioneer in the field of Italian accounting history (Sargiacomo et al., 2012, p. 256).

Besta interpreted accounting as a concrete science, in line with Spencer's tripartite classification (Besta, 1909, vol. I, p. 31), and more specifically as the science of economic control (Besta, 1909, vol. I, p. 111)[3]: science because the rational procedures by which economic control is exercised can be reduced to a unified method, and the set of principles that inspire those procedures can be brought to a scientific unity (Besta, 1909, vol. I, p. 31). However, it is not possible to identify such unity for operations (*Gestione*) and management (*Direzione*), which are strictly linked to the different classes of economic units and which, together with accounting (*Ragioneria*), constitute the functions included in economic administration (*Amministrazione economica*).

It is, moreover, a science of economic control because it pertains to the wealth of economic units (Besta, 1909, vol. I, p. 31). Besta's emphasis on the scientific nature of accounting reflects a specific historical moment in the development of the discipline. These were the years in which Italian accounting was striving to gain scientific legitimacy. This required a clear definition of its object, tasks, and method, and consequently of its disciplinary boundaries. It also involved investigating its connections with adjacent fields, most notably economics, which also focused on the enterprise, albeit from different perspectives and with different purposes (Gonnella & Talarico, 2012). This meant delineating the epistemological boundaries that distinguished accounting from economics and other contiguous sciences.

At the same time, it was natural, indeed necessary, in this phase of disciplinary construction to draw on more established sciences, especially in light of the conception of the unity of knowledge that Besta firmly embraced (Besta, 1880, p. 6), a view widely held within positivist epistemology. For Besta, defining a scientific discipline meant not only identifying its aims but also understanding its position within the broader system of knowledge (Besta, 1880, p. 7). Exploring such interconnections was, in his view, essential to elevating accounting to the rank of a science.

This relationship is particularly evident in the theory of valuations, which Besta was among the first accounting scholars, if not the very first, to study in depth and with rigor. Already in the *Corso* (Course*)*, published in print starting in 1891, Besta devoted a significant part of the work, namely the entire Second Part (*Libro Secondo*), entitled *La valutazione della ricchezza* (The Evaluation of Wealth), to this subject (Besta, 1891, vol. I). The same book would later reappear, with the same structure, albeit partially updated in its contents, in the first volume of *La Ragioneria*, published at the beginning of the twentieth century (Besta, 1909, vol. I, pp. 215-475).

2. The Theory of Financial Statement Valuations Proposed by Fabio Besta

In the first volume of *La Ragioneria*, Besta presents a general theory of asset appraisal. His analysis, therefore, is not confined to financial valuation alone, but also encompasses cases of valuation aimed at regulating "... relationships of interest between two or more individuals or enterprises ..." (Besta, 1909, vol. I, p. 238). As a result, the valuation criteria for balance sheet purposes can only be inferred indirectly.

There are, however, specific considerations on the subject in the second volume of *La Ragioneria*, where the scholar examines the issue of asset valuation across the different types of inventories (Besta, 1910, vol. II, pp. 10-16).

2.1 The Valuation Bases

Although the idea of the existence of a "true" or "actual" value is present in *La Ragioneria*, a concept repeatedly

[1] *La Ragioneria* (The Accounting) in three volumes follows the first single-volume edition of 1891 entitled *Corso di ragioneria professato alla classe di magistero nella regia scuola superiore di commercio in Venezia (Accounting course tught in the teaching class at the Royal Higher School of Commerce in Venice)*. Parte Prima (*First part*). *Ragioneria generale* (The Accounting), Vol. I. Venice.

[2] Regarding "Logismography", Sargiacomo, Servalli and Andrei write: "This approach was characterized by the personification of accounts and the distinctive interests of those involved, represented on the one hand by the owner and on the other hand by the custodians, debtors and creditors" (Sargiacomo et al., 2012, p. 254). See also Perrone & Catturi (1986).

[3] For an in-depth analysis, refer to Coronella (2022), Bruni (1966) and Ceccherelli (1933).

referred to by the scholar, to be identified in the "exchange value" (Besta, 1891). Besta raises some doubts about the possibility of applying the relative criterion for financial statement valuation.

On the one hand, he notes that "certainly the first rule to follow in determining the accounting records is... that they should come as close as possible to actual values" (Besta, 1910, vol. II, p. 345; see also Ceriani, 2006), on the other hand, he observes that in the case of financial valuation the reasoning varies.

First, applying exchange values to achieve an extremely precise valuation would be too costly (Besta, 1910, vol. II); second, the exchange values would not even be rational, as it would imply an enterprise in liquidation. Furthermore, when exchange values do not refer to fungible goods with relatively stable prices, they still involve a value judgment by an appraiser; therefore, the value is an appraiser's opinion (Besta, 1910, vol. II).

That said, he proposes an alternative valuation basis to exchange value. In his view, measurement can also be based on cost, particularly for those goods whose normal prices cannot be determined from current market prices, as they differ in certain characteristics from goods that are regularly traded (Besta, 1909, vol. I).

He, therefore, admits both measurement bases. However, the cost basis appears to be more of a possibility than a necessity, an aspect worthy of particular attention. It seems that he does not consider measurements based on current prices irrational for end-of-period valuations. Such a theory, however, would disregard the going concern principle. We will return to this point later.

For financial statement valuation, Besta distinguishes between fixed capital (*capitale fermo*) and working capital (*capitale mutabile or capitale circolante*).

Within fixed capital, he distinguishes between two types of assets: those – such as land – that retain their value over time, and others – such as buildings, furniture, machinery, tools, ships, and various vehicles – that lose value due to technical and economic factors.

Regarding the first category – goods that tend to maintain their value over time – he proposes, in some cases, the use of historical cost, and in others, market prices (or current prices) (Besta, 1909, vol. I). He therefore does not adopt a univocal position; on the contrary, certain ambiguities can be observed (Giannessi, 1980).

About goods that lose value over time, he observes that market price cannot be adopted as valuation basis. "Such values," he writes, "can only be determined for goods that are entirely similar to others which are frequently exchanged. They could therefore apply, at most, to new machines, instruments, and equipment... not to used materials..." (Besta, 1909, vol. I, p. 419).

From the quoted passage, it can be inferred that the scholar does not regard theoretical irrationality as the main obstacle to using current prices as valuation bases for technical fixed assets. Rather, the issue lies in the practical impossibility of producing reliable estimates. By contrast, the historical cost of such assets is known and can therefore be used as a valuation basis, considering their reduction in value over time (Besta, 1909, vol. I, p. 419).

For the assets included in working capital, Besta again considers it possible to adopt both current prices and cost as valuation bases. Raw materials, products, supplies, and consumer goods, being frequently traded, generally have current prices. For these assets, it is therefore possible to estimate, with varying degrees of approximation, their normal price (15). "It would therefore appear – the scholar states – that the rule whereby such materials or products should be measured based on their normal replacement price could be universally applied to any enterprise..." (Besta, 1909, vol. I, p. 261).

Sometimes the conditions for applying this criterion are lacking. He says in this regard: "Not always for the different goods are the prices made and known numerous enough and so little different from each other to give the normal price, which should be chosen among them, a safe determination; furthermore, not all of them have current prices: for example, materials in progress and unfinished products cannot have them; hence the problem of arbitrary estimates is not eliminated" (Besta, 1909, vol. I, p. 262).

For this reason, this valuation basis may be subject to bias on the part of directors. It is precisely in the potential arbitrariness of such valuations that a first limitation can be identified, highlighting the need to prefer the cost basis.

There is, however, another reason: the need to respect the prudence principle, which "... leads to avoiding excess in financial valuations" (Besta, 1916, vol. III, p. 608). This need is clearly acknowledged by the scholar, as evidenced by the numerous references to the principle in his main work (Besta, 1909, vol. I).

The author does not fail to point out, however, that the cost-based valuation remains rational "... as long as costs do not exceed market prices and, above all, the selling prices that enterprises themselves are able to obtain" (Besta, 1909, vol. I, p. 265).

The need to reduce directors' subjectivity in the financial valuation, and to uphold the prudence principle, are therefore the main reasons justifying the adoption of the cost valuation basis (Alexander & Fasiello, 2014).

These issues are so central to the scholar's thinking that they lead him to renounce what he considers the true value of the asset, that is, the one based on the exchange price (Besta, 1909, vol. I). He states this with absolute clarity: "The reason why it is advisable to measure products and goods on a cost basis is not the need for an exact determination of profit or loss, but rather the need to avoid arbitrary – and above all exaggerated – profit calculations, which may ultimately lead to bitter disillusionments" (Besta, 1909, vol. I, p. 264).

Besta, in fact, placed almost absolute trust in the possibility of calculating "real" costs, relying on appropriate costing systems (Besta, 1909, vol. I, p. 224).

It can be concluded that the need to reduce managerial subjectivity and prevent managerial opportunism – specifically, overvaluations – outweighs the pursuit of valuations that, in Besta's view, might offer greater precision. This leads to the question: to what extent are valuation errors introduced when cost values are adopted instead of exchange values?

Besta does not explicitly take a position on the matter. Nonetheless, in order to offer a potential answer to the aforementioned question, it is necessary to examine the cost calculation methods proposed by Besta himself. The cost configuration he presents appears to be broadly consistent with the notion of economic cost (26).

He states the following: "In enterprises of any kind, the cost of the goods they produce or the services they render consists of: the purchase price of raw materials; the remuneration for the work of administrators, directors, employees, workers, or agents of any kind; interest on the capital employed in the enterprise; the loss in value suffered by factories, machinery, tools, and other components of fixed capital as a result of their use; the remaining administrative expenses; and so forth" (Besta, 1909, vol. I, p. 224).

Besta, who however does not appear to acknowledge the possibility of alternative cost configurations, includes in the cost of products and services not only the direct and indirect components actually incurred but also the notional cost, which is an imputed opportunity charge. He later specifies that the notional cost consists of two elements:

Besta writes: "The notional interest charge consists of two components: a *'necessary'* part, which represents the remuneration for the productivity of the loaned capital, and a *'contingent'* part, which constitutes the risk premium borne by the capitalist, namely, the risk of losing the amount lent" (Besta, 1909, vol. I, p. 235).

The implicit cost related to the proprietor's labor is not considered, since Besta refers to enterprises in which ownership and management are separated. Therefore, remuneration for labor is explicit, that is it constitutes a recorded cost.

It is thus clear how the cost configuration he advocates can be regarded as effectively similar to the economic cost (Gonnella, 2012). What are the implications of this?

The adoption of economic cost in the valuation of goods intended for sale would have led to results only marginally different from those obtained using normal prices, given the market conditions in the second half of the nineteenth century and the first decade of the twentieth, a period characterized by a tendency toward price stability and conditions approaching perfect competition (Tramelloni, 1961).

It then appears evident that, under such circumstances, the "error" in valuation based on cost, as opposed to valuation at normal prices, is minimal.

On the other hand, it appears that Besta, by including notional cost among the cost components, unlike what was commonly done in accounting practice at the time[1], assumed that the identified error could be corrected in terms of the accuracy of the period result.

This may have justified, within his theoretical framework, the substitutability of the two valuation bases: normal price and historical cost.

From the outlined picture, it can be inferred that, in the scholar's view, valuation on a cost basis is not driven so much by the irrationality of the exchange value criterion, which assumes the enterprise is in liquidation, as by the need to reduce managerial subjectivity.

Measurement based on cost should be applied instead of the normal price only in cases where the latter could

[1] For the valuations adopted by enterprises at the time, see Besta himself: *La Ragioneria*, op. cit., vol. I, pp. 265, 305–306, 417, 419–420; vol. II, p. 14. See also: Zappa (1910, pp. 162-165).

give rise to various forms of arbitrariness (Marcon & Sòstero, 2023).

The issue does not lie so much in ensuring coherence between the valuation criterion and its financial purpose, a matter that would require a theoretical solution, but rather in responding to practical needs, such as avoiding arbitrary valuations. For this reason, both criteria may be considered valid, that is, rationally applicable.

It is appropriate to ask whether the cost criterion is intended merely as a fallback, in comparison to the "more correct" criterion of normal price. It does not seem appropriate to be so categorical. Moreover, Besta himself states that an evaluation based on exchange values "... would not be... rational, because it would suppose the enterprise had entered into liquidation, that is, in a state in which it is not" (Besta, 1910, vol. II, p. 13). In addition, numerous references to the principle of prudence should not be overlooked. From this point onward, it becomes clear that the scholar's intent is to achieve valuations that are as objective as possible. The explanation for this may lie in the particular function he attributes to the balance sheet, namely, that of a tool for ex-post control (Besta, 1909, vol. I, p. 116). It is evident that the control function improves as the scope for directors' subjectivity is reduced.

2.2 The Atomistic Nature of Values

Another aspect of Besta's theory on financial valuations that deserves attention is the degree of systematicity he attributes to balance sheet values. From his reflections, it can be inferred that he was well aware of the concept of asset complementarity. Considering the time in which he was writing, one cannot help but be struck by the passage in which he states: "When an enterprise is thriving and performing well, its individual assets must be assessed in relation to the enterprise itself, not to potential third-party buyers. They should be measured on the utility they can generate by maintaining their current destination and remaining integrated with all the other assets that form the capital as a whole, rather than according to the profit someone else might derive from using them separately" (Besta, 1910, vol. II, p. 14).

It seems, therefore, that in order to measure the assets, it was necessary to take into account the interdependence constraints existing between the various assets themselves. Thus, measurement had to be carried out in such a way as to appraise each asset in relation to the other (n−1) assets with which it is combined. However, it must be acknowledged that in Besta's theory, the principle of complementarity appears as an isolated idea, since it does not find further theoretical development neither with respect to working capital assets nor, especially, to fixed capital assets. Measurements based on "real" cost or market price do not allow the synergistic relationships between the different elements of capital to be effectively translated into practice.

This would require a shift toward the formulation of a true value judgment, such as the one underlying the concept of "functional valuation" (Ceccherelli, 1928, pp. 5-15, 1970, p. 194 ff.; Giannessi, 1960, p. 589 ff.; Pantaleoni, 1904). However, this is an approach that Italian accounting doctrine would only develop after the period in which Besta's theories were formulated.

For Besta, the primary requirement for balance sheet values is that they can be subject to control. This possibility is significantly reduced when one adopts the principle of complementarity, which entails a shift from predominantly objective valuation bases, such as the historical cost criterion, to more subjective ones, such as "functional value".

2.3 The Time Reference of the Valuation

Another relevant issue concerns the time frame to which the valuation refers. Besta observes that "in valuation, as in any other kind of judgment, it is not the consideration of the past that moves the human mind, but rather that of the present and the future" (Besta, 1909, vol. I, p. 231). It would seem, therefore, that in the scholar's thinking, the prospective dimension of valuation was notably developed. However, this statement appears in the paragraph where Besta discusses value in general. It therefore refers to valuations in a broad sense, including those formulated to regulate opposing interests. It is primarily to the latter that the aforementioned statement may be referring.

When, during negotiations, land, buildings, and entire business assets must be valued, "the exchange value of these assets or groupings of assets depends on the normal returns of which they are capable" (Besta, 1909, vol. I, p. 235). It is primarily in this case, the estimation of future returns, that valuation refers to a future horizon. When, instead, considering end-of-period measurements, such a dimension does not appear to be as evident.

About the components of working capital, if the measurement is based on current prices, the resulting value has, so to speak, a contingent nature; whereas if it is based on the historical cost criterion, it takes on a retrospective character.

Similar conclusions can be drawn with reference to the elements of fixed capital. An exception is represented by the valuation of assets that deteriorate through use. About these, Besta observes that depreciation "...should be such that the residual cost, i.e., the residual value, is not disproportionate to the utility that can still be derived from them" (Besta, 1910, vol. II, p. 14). Only in this case does the prospective content seem to emerge, and only regarding a portion of the assets. It seems that Besta considered it possible to obtain the information needed for balance sheet measurement directly from the general ledger rather than through a detailed analysis of internal and external processes. On this point, he states firmly: "The balance sheet is found... without question in the general ledger..."[1] (Besta, 1910, vol. II, p. 606). In fact, he identifies the primary tool for ex-post control in the accounting records, rather than in the balance sheet. These accounting records would provide, in addition to the data needed to outline the progress of the enterprise, the information required to prepare the balance sheets. If it is possible to obtain the balance sheet measurements from the accounting records, it is evident that an ex-post orientation prevails over the contingent one, and even more so over the forward-looking one (Giannessi, 1960)[2]. The scope for estimates is therefore minimal, or virtually absent.

The fact that a forward-looking orientation finds little space in Besta's theory of financial valuation appears consistent with the function attributed by the scholar to the balance sheet as an instrument of ex-post control.

As has been noted, when estimates are oriented more toward the future than the past, "…the ex-post control carried out through the balance sheet almost completely loses its meaning" (Amodeo, 1955, p. 9).

2.4 The Predominantly "Technical" Nature of the Theory

Let us now consider a final characteristic related to the degree of scientific rigor in Besta's theories on financial valuation. By proposing the criterion of normal price, or that of cost in its various applications, Besta suggests financial valuation rules that, by their nature, significantly limit the possibility of formulating a genuine judgment of value. Now, beyond the fact that it is rather difficult to distinguish between different forms of knowledge – science, technique, and art (Giannessi, 1969) – it seems that the theory of inventory evaluations supported by the scholar presents predominantly technical connotations (See also Onida, 1951, pp. 201-206).

This theory is mainly characterized by technical content (Marcon & Sostero, 2023). Rather than dwelling on general principles from which directors might draw inspiration in performing their duties, namely, by developing a theory of financial statement valuation capable of guiding their judgment, Besta proposes rules that constrain their choices within more narrowly defined boundaries. Once again, this appears consistent with the purpose the scholar assigns to the balance sheet.

The need to make the measurements more easily verifiable seems to prevail over other considerations. The valuation is not based on a critical-interpretative analysis of business operations – grounded in adequate internal and external judgment elements, including market and environmental factors – but rather on mathematical calculation.

The need to make the measurements more easily verifiable seems to prevail over other considerations. The valuation is not based on a critical-interpretative analysis of business operations – supported by adequate internal and external information on the market and the environment – but rather on a mathematical calculation[3].

3. At the Roots of the Theory of Financial Valuations

It is not easy to identify the underlying reasons behind the theory under observation. Only a few hypotheses can be formulated, however plausible they may be. It has already been noted that the scholar prescribes evaluation criteria aimed at limiting, as far as possible, any arbitrary choice by directors, in order to ensure greater effectiveness of the control exercised by the owners. A possible reason can be found in the meaning that Besta attributes to accounting, namely as the science of economic control (Besta, 1909, vol. I, p. 31).

In Besta's works, some considerations suggest a non-exclusively restrictive interpretation of control, that is, not

[1] See also Amodeo (1955, p. 7).

[2] For a forward-looking interpretation of Besta's valuation logic, see: Perrone (1997, pp. 344-345), Palumbo (2005, p. 36 ff) and D'Amico and Palumbo (2011).

[3] Zappa deserves credit for proposing a *change of direction* in financial statement valuations, specifying that these cannot be based merely on one or another measurement criterion or value configuration, but require a judgment grounded in the analysis of both internal and external operations. See, for example: Zappa (1920-1929, p. 605).

only constrained control but also control understood in the broader sense of monitoring and understanding operations. However, when it comes to financial valuations, the former approach seems to prevail over the latter.

It seems, in fact, that Besta prioritizes the pursuit of greater objectivity in values over the possibility of achieving a more "exact" valuation of capital and income for the period. He appears fully aware of this. As we have previously seen, the scholar at times affirms the rationality of both criteria, the exchange value criterion and the cost criterion, while in other instances he considers only the latter as functional to the needs of the balance sheet. This naturally raises the question of the reasons behind such uncertainty. Several hypotheses can be formulated in this regard.

It should be noted, first of all, that the enterprises of the time adopted both criteria (Besta, 1909, vol. I, pp. 265, 305-306; 417; 419-420; vol. II, 1910, pp. 162-165; Zappa, 1910, pp. 162-165), which were also permitted under the *Codice di Commercio del 1882* (Italian Commercial Code of 1882). It cannot be ruled out that this influenced the scholar's thinking, as he was particularly inclined towards the experimental method (Besta, 1909, vol. I, pp. 55-56; Zappa, 1935). The lack of a univocal position could also be attributed to another reason: the conception held by the scholar regarding the relationship between accounting and related disciplines, particularly economics and appraisal. According to Besta, "...accounting must make use of these sciences without, however, attempting to practice them" (Besta, 1909, vol. I, p. 41). The previous passage helps us understand why he does not engage in the elaboration of a theory of value, preferring instead to refer to the theories put forward by political economy: the reason being that such a theory does not fall within the domain of accounting (57). This also explains the numerous references, in his main work, to the leading economists of the time, first and foremost Francesco Ferrara, and the insistence with which he repeatedly observes that value finds its true expression only in that of exchange.

A similar issue arises concerning the theory of valuations, given that there is "...a specific science, which deals with... valuation, the appraisal" (Besta, 1909, vol. I, p. 57). How can the domain of accounting be reconciled with that of appraisal? According to the scholar, appraisal, first of all, "...is not concerned with all types of value", since "...it is mostly limited to rural goods and buildings"; secondly, "...it studies [such goods] in their actual condition at a given moment, not in their transformations..."; and finally, "...it considers nothing other than market or exchange values" (Besta, 1909, vol. I, p. 57).

Accounting, on the other hand, must "...express values of every form and kind, not only those existing at a given moment but also the changes they have undergone or will undergo; and furthermore, since it is not always possible to use true exchange values, it is necessary to substitute them by means of appropriate expedients" (Besta, 1909, vol. I, p. 57). At this point, the scholar's view on the scientific placement of valuation theory appears clear: it falls within the scope of both disciplines – appraisal and accounting. It is, therefore, the responsibility of both, according to their respective domains of interest.

Unlike other scholars of his time (Rossi, 1895, p. 963), Besta does not assign the entire subject of valuations to appraisal, although he specifies that "...accounting, in addition to having points in common with appraisal, must in all respects conform to the principles of the latter,... therefore, where there are common points, accounting must limit itself to setting out the fundamental criteria of valuation, leaving their full application to appraisal" (Besta, 1909, vol. I, p. 57).

It is therefore understandable how the scholar, on the one hand, considers it appropriate to accept the theories developed by closely related sciences, adapting to them; on the other hand, he feels the need to adjust them to the specific requirements of his own field of study.

The author appears to be torn between two needs: on the one hand, adopting the theories of the aforementioned disciplines, which essentially refer to exchange value; on the other, shifting towards a concept of value – namely, cost – which is more controllable and, for this reason, better suited to the needs of accounting.

The normal price, taken as the exchange value, may be arbitrary in some cases. It does not, therefore, allow for effective control of the directors' actions by the owners. It is, therefore, necessary to resort to the measurement based on cost.

In this context, the choice he makes regarding the valuation of inventory assets based on a cost configuration, specifically economic cost, should be interpreted as an attempt to recover, as far as possible, the exchange value. The influence of economic studies on Besta's thinking is evident, especially considering that even at the time, the cost configuration mentioned above was rarely applied in financial valuations (Zappa, 1920-1929, p. 310). The uncertainty surrounding the absolute or relative nature of the concept of value, as well as the adoption of predominantly atomistic values – namely, exchange value and cost – are features of Besta's theoretical system

that can be explained by the characteristics of enterprises at the time.

In the second half of the nineteenth century, the economy of the territory that would later be unified into the Kingdom of Italy (1861) was in a pre-capitalist state and still predominantly focused on the agricultural sector. With few exceptions, manufacturing activities were still carried out by small family-run or artisanal firms. Enterprises carried out some of the simplest processes from a technological standpoint, with human labor decisively prevailing over mechanical labor. At the turn of the 19th and 20th centuries, the degree of mechanization remained modest compared to that of the most developed European countries. Besta, although aware of the principle of complementarity among the factors of production, may not have felt the need to transpose this vision into financial valuations. In fact, only in a few enterprises was it possible to identify an actual production structure; in most cases, such a structure appeared to be in an embryonic stage, if not entirely absent. Moreover, it should be noted that reasoned values, that is, those arising from a genuine value judgment, could have compromised the controllability of the values themselves.

The fact that Besta, in his theorization, does not pay particular attention to the prospective horizon can be attributed to the lack, at that time, of research focused on the dynamic nature of the enterprise. In fact, a static view of the firm was dominant. Some of Besta's disciples would be among the first to take an interest in the issue, particularly in the study of income formation (Ceccherelli, 1922, p. 61). Consequently, the concept of the balance sheet would also change, no longer a mere nineteenth-century report but a document with historical-probabilistic content (Giannessi, 1960, pp. 799-806).

Finally, it should be noted that with Besta's theory, Italian accounting begins to develop an awareness of its own specific needs in terms of financial statement valuation. He, therefore, proposed an initial theory aimed at economic control. The subject would later be further developed by other Italian scholars who, starting from various experimental and doctrinal premises, mostly between the 1910s and the 1960s, would explore the issue of financial valuation through the formulation of general principles (Gonnella, 2008, pp. 21-47). This process would mark a phase of scientific advancement in the subject under investigation and, given the importance it assumes within the discipline (Zappa, 1920-1929, pp. 80-81), in Italian accounting as a whole.

4. Conclusion

One of Besta's most significant contributions to accounting was undoubtedly his theory of financial valuations, a theme that remains central to accounting discourse (Barth, 2000; Kanodia & Sapra, 2016; ICAEW, 2018; Baker & Persson, 2021). His theory is representative of a particular transitional moment that simultaneously laid the foundations for the discipline's subsequent developments (Coronella, 2018; Paolini & Soverchia, 2017; Gonnella, 2012).

The solutions he proposed were influenced by theories developed in other disciplines, particularly economics, while he remained attentive to the practical demands and operational challenges of accounting. However, certain elements suggest Besta himself was not entirely satisfied with the results achieved. Notably, he emphasized the need for criteria capable of ensuring values as objective as possible in order to limit the discretionary power of directors. His intention to adapt theoretical conclusions from other disciplines to the needs of economic control is unmistakable.

With the introduction of the cost criterion, he provided an initial accounting perspective on financial valuation[1]. At the same time, this marked the early signs of a decline in the idea of "actual" or "true" values, typically associated with exchange values. This shift would eventually lead to the crisis and replacement of the exchange value paradigm.

His openness to the influences not only of contiguous sciences but also of positivist epistemology, from which he inherited the concept of the unity of science that permeated his work, left his disciples with a cultural perspective suited to a genuinely scientific discipline.

Besta's contribution opened new avenues for the theory of financial statement valuation and laid the foundation for a generation of scholars who, inspired by his work, came to view the subject as belonging exclusively to the domain of accounting.

This study highlights the originality of Besta's thought and suggests promising avenues for comparative research.

[1] For a discussion of the reasons behind the affirmation of the historical cost criterion in Italy, see: Alexander and Servalli (2011).

One possible direction could be a comparison between Besta's theoretical framework and the contemporaneous traditions developed in other contexts, particularly in the Anglo-Saxon world. Such a comparison would allow for a deeper understanding of the role played by cultural, institutional, and epistemological factors in shaping different approaches to financial statement valuation.

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