

3-1929

Early History of Bookkeeping by Double entry

P. Kats

Follow this and additional works at: <https://egrove.olemiss.edu/jofa>



Part of the [Accounting Commons](#)

Recommended Citation

Kats, P. (1929) "Early History of Bookkeeping by Double entry," *Journal of Accountancy*. Vol. 47 : Iss. 3 , Article 5.

Available at: <https://egrove.olemiss.edu/jofa/vol47/iss3/5>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Journal of Accountancy by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

Early History of Bookkeeping by Double Entry

By P. KATS

In the year 1878 the citizens of San Sepolcro, a small place in the province of Arezzo in mid-Italy, adorned with a mural tablet the house where, about the year 1445, one of its most famous citizens, Luca Paciolo, or otherwise Fra Luca di Borgo San Sepolcro, had been born. On this memorial stone they extol the merits of that great man and give expression to their feelings of shame for having let him rest in oblivion for 370 years. On it Paciolo's significance is commemorated, both as a mathematician and as the first who published a treatise on commercial bookkeeping by double entry.*

This is not the place to inquire what reasons the good citizens of San Sepolcro had in stating the period as being only 370 years during which that illustrious son of Italy had been forgotten; for our present purpose it is sufficient to note that for many years he had remained in oblivion. His treatise on bookkeeping was not appreciated until long after his death and apparently remained unknown outside Italy; it was not until the year 1869 that interest in it was awakened, when Professor E. Lucchini, in a paper read to the Accademia dei Ragionieri at Milan, for the first time—after 375 years of oblivion—drew the attention of the accountants there assembled to a work by which henceforth in the world's memory will live forever the author of the now famous *Particularis de Computis et Scripturis* ("About accounts and other writings"), which is the 11th treatise of the 9th part of the monumental *Summa de Arithmetica, Geometria, Proportioni et Proportionalità*, printed in Venice in the year 1494.

Since then the keenest interest has been aroused in the frater's forgotten work and soon after translations were made in German, modern Italian, Dutch, English (2), Russian, Czech and Japanese. His life was studied, his biography written and his work extolled as the fons et origo of all literature on bookkeeping by double entry in Italy and abroad. Flying from one extreme to

*A Luca Pacioli—che ebberro amico e consultore—Leonardo da Vinci] e Leon Battista Alberti—che primo die all'algebra—linguaggio e struttura di scienza—avviò il gran trovato—d'applicarla alla geometria—insegnò la scrittura doppia commerciale—dettò opere di matematica—base e norma invariate—alle postere lucubrazione—Il popolo di S. Sepolcro—vergognando 370 anni di oblio—al gran concittadino—poneva—1878.

the other, from complete neglect to indiscriminate hero-worship, many of the ablest and most fair-minded students of accounting history decried all early works after the *Particularis* as so many clandestine and slavish imitations of the superior treatise of a man whose name and writings their authors had not even had the decency to mention.

But gradually more critical views have been taken and it has been pointed out that, in all probability, the *Particularis* themselves were not an original treatise but the reproduction of a never published manuscript, used in the commercial "scuole" of Venice, and that the treatises by Manzoni, di Bianchi Ympyn and Hugh Oldcastle were also based on that lost manuscript. This opinion gains in probability by the fact that the older *Particularis*, etc., contains several names of commodities, sentences and even whole chapters which, for no apparent reason, do not appear in any of the works of the alleged three imitators in chief, in whose writings, on the other hand, several matters are discussed foreign to the older dissertation.

At this point it is meet to ask a pertinent question: How is it that treatises on bookkeeping written outside Italy, unless their authors distinctly state that they are following Venetian examples, never conform to that type? Look at the manuscripts and printed works of Mathäus Schwarz, Heinrich Schreiber (Grammateus), Johann Gotlieb, Erhart von Ellenbogen, Valentine Mennher de Kempten and others outside Italy; look also at the fragments of non-Venetian books of account preserved from days prior to the publication of the *Particularis*, and at the examples of a non-Venetian ledger in the second addendum to that treatise; ponder over the chapters on bookkeeping written by Benedetto Cotrugli and Girolamo Cardano and say whether or not there is abundant substantiation for Fra Luca's own statement that elsewhere in Italy there were methods of bookkeeping in use other than those in Venice. That answered, it will not be difficult to deduce that, whatever the authors mentioned may have owed to Italian *practice*, they were under little or no indebtedness to Fra Luca's *Particularis de Computis et Scripturis* or to any other known Italian works.

There is every reason to believe that bookkeeping has gone through several experimental stages and that, until there was an actual survival of the fittest, there has been at least one form that ran close behind the victor in the race for supremacy, and

influenced it to such an extent as to account for the subsequent abandonment of many of the peculiarities that were considered essential by Venetian authors.

In examining one of the more important different types of bookkeeping, it would seem advisable, in support of this thesis, to begin with later forms that look like survivals of older ones rather than to start from the earliest traces.

JOHN COLLINS (1625-1683)

Though John Collins was an English author, it is as well to begin with him because he combines most of the points to which it is desirable to draw attention. Moreover, he was not a writer of the ordinary type, but a mathematician of note and Fellow of the Royal Society, who had studied and practised merchant's bookkeeping for the best part of seven years on board a ship hired by the Venetians in their struggle against Turkey. Hence his bookkeeping and terminology were influenced by the Italians more directly than those of any other English author.

His treatise, known as *An Introduction to Merchants-Accomptes*, was first published in the year 1652, reprinted in 1665 (this edition was lost in the great fire of London) and again, but amplified, in 1674. It consists of seven applications of bookkeeping—or questions, as he prefers to call them—of which the third, “A question of factorage, or goods received by consignment, and returns shipped off, with an analysis thereto belonging,” is the one best suited for our purpose.

The question is stated by Collins himself as follows:

“Thomas Sweet, a Merchant, removing to settle at Seville, or St. Lucars in Spain, owes at his going over several debts, and has several more owing to him. He constitutes Thomas Wood his Factor here to receive and pay the said debts, as likewise to divid (?) or sell off such goods as are in his hands, or consigned home to him, who makes returns in Lead and Fustians, the whole employment cleared with an account current for the Owner.”

This statement is followed by an inventory and waste-book.

The inventory, dated September the first, 1649—which was obviously started three years before the book was first printed—consists of:

- (1) A list of debts owing by Thomas Sweet, the master.
- (2) A list of debts owing to the principal. 1 and 2 with the respective amounts due.
- (3) Goods belonging to the owner, i. e. 1/32nd part of the ship “Speedwell,” a house with a warehouse thereto belonging,

whereof there is a lease of two years yet to come—paying annual rent; 32 bags of Barbados cotton; 12 bags of West Indian ginger, 100 pieces of counterfeit Venetian fustians of English manufacture and Thomas Sweet's share of £250 in a Turkish company, whose stock the factor has order to sell for his master. Except for the debts, no values are either extended or put upon the assets, and no accounts are opened for them in the ledger except for cotton, ginger and fustians, i. e. for the charges, including factorage, paid on them when the goods were received and sold.

To the same accounts the sales are credited and when the merchandise is all disposed of the net proceeds are transferred to the master's account, there being no capital account, but if there remain any goods unsold when the accounts are closed, they are passed out of their respective accounts with their quantities only, no values being attached to them. Obviously, these accounts are subsidiaries of the principal's account, to which the charges might have been debited and the proceeds credited direct, as was done on selling the master's share in the Turkish company. Accordingly, the accounts for these commodities are styled, for example: "Ginger for Account of Thom. Sweet." They all contain quantity columns from which the remainders that should be in the warehouse can easily be ascertained.

Discounts and other allowances granted or received are debited or credited direct to the master, whose account at the start shows:

Debts payable, £904.12.00.

Debts receivable, £557.05.06.

Owing to the omission of all other assets there is, therefore, an apparent deficit of £347.6.6. A similar instance of liabilities exceeding assets is found in Angelo Pietra's *Indirizzo dei Economi* (1586), which is likewise a specimen of steward's accounting.

Owing to the direct transfer of the balances of the various goods accounts to the one raised for the master, there is none raised for profit and loss. There is, however, a "balance" account that contains only outstanding debts payable and receivable, and cash in the factor's hands for his master's account.

Since this is factor's accounting, it is obvious that, not being responsible for the *values* of the ship's part, the house, share in the Turkish company, cotton, ginger, fustians and other commodities received for sale, the factor does not credit his master until money becomes actually due. Nevertheless, in some instances, if the principal—desiring credit forthwith—instructs the factor

to appraise the goods in the latter's books according to an account sent, this is done but, as our author states, "more for information than for any other use."

In the foregoing a type of accounts is sketched such as even nowadays might be kept by any commission agent and, provided there is no law compelling one to include the whole of one's capital in his books of account, there seems no reason why a merchant, especially one in a small way of business, should not keep his own books in exactly the same way, i. e., he may be satisfied by keeping a note in his inventory of such assets as houses, land, ship's parts and others that are not likely to change hands. Furthermore, if the business is very small—for example retail trade—and the commodities are constantly under the master's eyes, he may consider it sufficient to raise one general "goods" account only, from which may be ascertained his receipts by the sale of all commodities, their cost and the particular expenses paid for them, as also all charges of a more general nature for which he does not care to open a special account as, for example, he may do for his household expenditure.

Factor's bookkeeping therefore differs in contents from the Venetian bookkeeping expounded by Paciolo and other Venetian old masters in that (1) there is no capital account: the master's personal account, which replaces it, records only items of which the value is certain, such as cash and debts payable and receivable; (2) there is no profit-and-loss account; (3) the various goods accounts, although opened immediately at the start, contain provisionally nothing but quantities, and the money received and paid in respect of them really should be posted on the master's account: to the master, accordingly, the balance of money values, in the shape of net proceeds, either before or after deducting cost, is ultimately transferred; (4) in the same way all other accounts might be balanced by transfer of their remainders direct to the master's account, unless it is preferred, as it was by Collins, to assemble them first in a "balance" account, and in this case only the difference between its debit and credit sides should be transferred; (5) remaining quantities of goods are carried, but without any money value, direct to the new books.

The books used by Collins consisted of an inventory, waste-book, journal and ledger.

In the inventory, contrary to Paciolian practice, assets are extended and totaled if their values are certain, as in the case of

debts and money in the cashbox; otherwise they are merely accurately described. No instructions are given to keep the inventory secret in a separate book and, after the transfer of its items to the journal, no oblique lines are drawn to cancel them and to indicate their transfer.

The waste-book is not merely a book which, during the absence of the master or bookkeeper anyone able to write may handle. Collins desires it to be kept neatly and with great care. Extensions of money are made, sometimes by using double money columns; no lines are drawn through journalized waste-book entries.

The journal differs a great deal from Paciolian forms. There is no "per" and // (or ') and "A" to indicate the accounts that should be debited or credited and frequently there is more than one debtor against one creditor, or vice versa. Amounts coming into question are stated in the narration in Roman numerals and in the extension column—no longer a mere margin—in Arabic figures. The indication of debtor and creditor is made by preceding each in a narrow column on the left by Dr. or Cr., as the case may be.

		The 5th Ditto (October 1649)					
			£	s.	d.		
4	Dr.	Lead for the sum of Lxxxj£. j ^s . jx ^d and is for 50 bags of two notches, weighing gross 7 Fother jC. at xj£	81	01	09		
4	Dr.	Fustians English manufacture etc.	100	00	00		
2	Dr.	Cash, for vj ^s vj ^d etc.....	00	06	06		
4	Cr.	John Blay for the particulars by him made good.....	181	08	03	181	08 03

Note that no pair of slanting lines is drawn through the entries to signify their posting in the ledger.

The ledger does not differ materially from Paciolian and Manzonian examples. On the debit side all entries are preceded by "To" and on the credit side by "By." As a rule, every entry occupies only one line. No slanting lines are drawn across the sides of the accounts when they are finished or transferred to another place or ledger. The various goods accounts contain, somewhere near the center of the narration, a column to take the quantities coming into question.

So much for Collins's factorage accounts. It will have been noticed that they differ considerably, both in contents and form, from Venetian examples as known through Fra Luca and other

Early History of Bookkeeping by Double Entry

writers of his time. It now remains to be seen to what extent Collins followed established Italian practice, wherefore a step back may be taken.

MATTEO MAINARDI, BOLOGNA, 1637

Matteo Mainardi is responsible for a treatise called *Il Cambio Reale per Ogni Piazza*, of which there appear to have been reprints in 1686 and 1700.

As in the case of Collins, there is a "personal" instead of the alternative capital account for the owner of the business, who is a shopkeeper named Arcangiolo Sacchi. It takes the balance of the profit-and-loss account (not used by Collins) as well as the balances of all others, i. e. without any intermediary account. In this the author differs, not only from Collins, but also from Fra Luca, who taught the transfer of all such balances through no intermediary account at all, but direct to the new books.

It was a favorite notion of Mainardi's to exemplify the bookkeeping of a person who acted in the interest of others, for example as a surviving partner who renders account of his stewardship, or as a "commissario testamentario." Essentially, his bookkeeping is not very different from that of Collins's factor.

The journal entries resemble curiously those of the Italianized English author, with the difference that the debtor account is preceded not by Dr. but by "A" or "Alle" and the creditor account by "A credito." In a number of entries there is often only one debtor against more than one creditor, or vice versa, as in the English work. Furthermore, the amounts coming into question are also stated twice, i. e. in words and in Arabic figures. No pair of parallel lines is run across the entries to indicate their posting to the ledger.

Laus Deo, & B. Virg. Rosarij M.DC.XXXIII
Adi 31. Decembre Sabbato

14	A Michele Landinelli nostro bracente à Romanello lir. vintinoue, cioè lir. vinti per la pigione della casa, e lir. noue quat. per corbe due, quar. due d'orzo, hauuto più giorni sono dal Fattore, d'accordo £	29	—
7	A credito Luogo di Romanello £20.—		
9	A credito Orzo in granaro cor. 2. quar. 2 £9.—		

Although the books are supposed to be those of a "commissario testamentario" the ledger contains, nevertheless, accounts raised for various "Possessione" as also for different kinds of expenses (spese d'elemosine; spese di reparationi, and so forth).

(To be continued)