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BARTER BOOKKEEPING: A TENACIOUS SYSTEM

Abstract: Since accounting develops to meet the needs of its environment, the same systems may not be used in all parts of the country at the same time. A system of barter and credit bookkeeping was common in the U. S. during the 1700's, but began to diminish from the civilized parts of the country during the early 1800's. However, the barter-credit system continued to be used in some rural areas well into the 20th century. These 20th century barter-credit records were not antiquated. The needs of management were little different than those of other storekeepers of a century and a half earlier. Thus, the same accounting methods were sufficient to meet these needs.

The methodology of accounting develops to meet the needs of the economic environment in which it operates. The business environment of the United States has not been identical in all places at a given point in time. Thus, an accounting system that was quite antiquated in one section of the country was still useful in another area. A system of barter and credit bookkeeping was very common throughout America during the 1700's but began to be replaced by a more modern system in the early part of the 1800's.

Barter bookkeeping used a partial system generally consisting of a day book where credit transactions were recorded on a memorandum basis. Later these entries were posted to a combined accounts receivable and accounts payable ledger. This ledger used elements of a double entry system by recording claims against customers as debits and receipt of payments as credits. Vendors' accounts also used the debits and credits correctly. The system was incomplete and not a true double entry system, however, because other assets and liabilities and owners' equity were not recorded and no attempt was made to accumulate revenues and expenses.

The double entry system was well known in the United States in the 1700's as is attested by the many textbooks in circulation on the Italian method of bookkeeping. In the early part of the 19th century, as business ventures became more complicated, the barter bookkeeping system gradually gave way to a more complete system of true double entry. One accounting historian made the following observation:

After 1820, when currency in circulation became more plentiful, credit barter lost much of its usefulness. Although it did not disappear overnight, it gradually disappeared over a 30-year period ranging from approximately 1820 to 1850.¹

Although credit barter and the accompanying primitive bookkeeping may have disappeared from the more civilized parts of the country during the mid-1800's, it continued to exist in the rural areas of the country for a very long period of time. The examination of a set of accounting records from a rural area of the United States will demonstrate the considerable period of time involved in the disappearance of the barter bookkeeping system.

A set of accounts receivable (and payable) subsidiary ledgers now located in the archives library at Appalachian State University are evidence of the survival of the barter bookkeeping system into the 20th century. The proprietor of the Mast General Store in Valle Crucis, North Carolina recently donated to the university a series of ledgers dating from 1906 to 1917. The ledgers record the transactions of a large, thriving retail store and were kept by someone who was fairly knowledgeable in the practice of bookkeeping.

During the early 1900's, Valle Crucis was isolated from the rest of the world by the Blue Ridge Mountains. There were no paved roads or railroads. The Mast General Store was the only commercial enterprise for miles. Thus, it was both the commercial and social center for the mountain folks. The local farmers not only bought everything they needed at the Mast Store, but they also sold their crops in the same store. With all of this buying and selling, it was important that an accurate record be kept of receivables and payables.

In 1907, the store clerk recorded all credit sales in a day book or memorandum. All payments on account were also recorded in the day book. At the end of the day the amounts and the names of the items purchased were transferred to the appropriate accounts receivable ledger accounts. The ledger accounts were in a format similar to those of today with the exception that the explanation column in the account was used to list the type of merchandise purchased.

The most interesting aspect of the ledger accounts was the nature of the credits to accounts receivable. Cash was rarely involved in the transactions that resulted in credits to customers' accounts. Typically, the assets received in payment of accounts were items that had been raised, produced, or collected by the customers.

Since the Mast Store bookkeeper used the explanation column to explain the nature of the payment received, it is possible to determine in exactly what form payments were made.

Included among the items that appeared on the credit side of the accounts receivable ledger accounts were furs, butter, wool, birch oil, cheese, apples, herbs, chickens, turkeys, tomatoes, potatoes, chestnuts, lard, eggs, hauling, work, and hay. The Mast Store sold these commodities to other customers in the area and to wholesalers in such cities as Johnson City, Tennessee (which was 50 miles away and a two day trip).

The ledger accounts also indicated a system of credit in which the store financed mountain farmers from crop to crop. After the fall harvest there would sometimes be accounts with credit balances but very few of the accounts were ever paid in full. Because the customers of the Mast Store lived in the area, the proprietor did not mind extending credit for long periods of time. Eventually, the crops would be harvested, and as there was no place to sell the crops other than at the Mast Store, there was little danger of an account not being paid.

A typical account is that of R. F. Billings, which appears in Figure 1. The account shown here is typical of the Mast Store receivables. Cash was apparently a rare commodity in the North Carolina mountains. As a result, it was necessary to conduct business transactions using for exchange those commodities that were available. The significance of the Mast Store ledgers lies not in the fact that they represented records of a barter system, but that they represented twentieth century records of a barter system. The needs of the management at the Mast Store were little different than those of other storekeepers of a century and a half earlier. Therefore, the same accounting methods were sufficient to meet those needs.

FIGURE 1

THE ACCOUNT OF R. F. BILLINGS

1907	Dr.		1908	Cr.	
Nov. 9	Gingham	.80	Jan. 8	Birds	3.19
30	Bolt Dress		Mar. 13	Bal. in Birds	9.57
	Goods	2.39	30	Lard	5.00
1908				Hauling	1.25
Jan. 8	Soap	.05	Apr. 14	"	4.80
Feb. 14	Hardware	1.60	" "	"	1.30
Mar. 10	P. Pt.	.25	" 20	Meat	6.10
13	O Chill Plow	9.00		Pants Return	.55
21	J.W. Dyer	1.40	May 21	Hauling	1.23
	Ribbon	.75	30	Potatoes	3.00
30	Goods	2.79			
Apr. 14	Oil	.50			
17	Mdse	8.80			
21	Suit	3.50			
	Hat	1.00			
May 2	Lace	.35			
16	Rocking Chair	2.25			
	Shoes	1.40			
29	Crocks	.50			
30	Hat	.15			
June 11	Can Rubbers	.25			
15	Hat & Ribbon	.25			
		<u>37.98</u>			
					<u>35.99</u>

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NOTE

¹Kreiser, Larry, "Early American Accounting," *Journal of Accountancy* (July 1976), p. 80.